S. HRG. 98-805

SOCIAL SECURITY: HOW WELL IS IT SERVING THE PUBLIC?

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

WASHINGTON, D.C.

NOVEMBER 29, 1983

Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE

33-779 O WASHINGTON : 1984

S141-10

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SOCIAL SECURITY: HOW WELL IS IT SERVING THE PUBLIC?

TUESDAY, NOVEMBER 29, 1983

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 9:36 a.m., in room 562, Dirksen Senate Office Building, Hon. John Heinz (chairman) presiding.

Present: Senators Heinz and Percy.

Also present: John C. Rother, staff director and chief counsel; Larry Atkins, professional staff member; Terri Kay Parker, investigative counsel; Eileen Bradner, minority professional staff member; Isabelle Claxton, communications director; Robin L. Kropf, chief clerk; Nancy Newman, assistant chief clerk; and Angela Thimis, hearing clerk.

OPENING STATEMENT BY SENATOR JOHN HEINZ, CHAIRMAN

Chairman HEINZ. The committee will come to order.

Sooner or later, most Americans appear at a social security office, usually after a lifetime of contributions, to claim benefits that the Government has held in trust for them.

The question this hearing seeks to answer is: How well is this trust being fulfilled?

Last spring, the Congress guaranteed that the money would be in the social security trust fund to pay the benefits. Today, we turn our attention to the problem of assuring that the right person gets the right check at the right time. This assurance is as fundamental a part of restoring public confidence in the social security system as is the assurance of financial solvency

How certain can a retiree be that the social security checks he receives will be for the correct amount? The committee asked the General Accounting Office to study that question, and on the basis of a sample of 208 cases, they found that one in five retirees receives an incorrect payment due to an administrative error at some time over a 5-year period. More disturbing yet is the finding that usually the error is in the favor of the Social Security Administration, not the beneficiary, and usually it goes undetected.

Four people who have had trouble with social security have agreed to appear before the committee today. Their stories will help us understand the kinds of problems individuals encounter when they try to get errors corrected. Their stories will illustrate

the persistence and ingenuity needed to detect errors and then to get Social Security to correct them.

Often this effort involves some assistance from a Member of Congress of the House or Senate. Most of the members of this committee are actively involved in helping constituents with social security problems. A survey this committee conducted of Member's offices found that a quarter to a third of our constituent problems are related to social security. And for my part, as a Senator, I am regularly helping over 350 Pennsylvanians each and every month with their social security problems.

In fact, social security routinely sends people to my office for assistance with social security problems. Recently, I received a request for help from a woman who had not received her social security check because of a computer error and had been contacting the social security district office for months in an effort to correct the error. The district office could not even get the Philadelphia Payment Center to respond to their inquiries and finally told her to contact my office, since I could get the payment center to act. I know from our survey that my colleagues on this committee—and we contacted all of them—have had the same kinds of experiences—many times over, I might add.

Retirement and survivor's insurance—what most of us know as social security—is both the biggest and the simplest program that the Social Security Administration operates. A decade ago, the Social Security Administration was able to run this program fairly smoothly. Yet today, there is enormous evidence accumulating every day that public service has deteriorated seriously and even dangerously. The question we ask is: Why is it so difficult today, in this program, to pay the right amount to the right people at the right time?

I suppose part of the reason could be found in the fact that the Social Security Administration has gone through a period of major organizational and program changes over the last 10 or so years. For example—and I note this, with our Commissioner sitting in front of us—although SSA has only had 13 Commissioners since its inception in 1935, 8 of those 13 have served in the last 10 years. And we hope, Madam Commissioner, that you last more than the 1.2 years that seems to have been the average for our last eight Commissioners. I am sure you will.

SSA has also been reorganized several times—three times in a 5-year period, 1975 through 1979. It has assumed growing responsibilities for nontrust-funded programs in recent years; black lung in 1972, SSI in 1974, AFDC in 1977.

Congress has enacted 16 laws since 1972, making changes in the RSI and DI programs; 5 laws—1972, 1977, 1980, 1981, and 1983—have made significant changes in entitlement and benefits.

Legislative changes have caused increasing complexity in SSA policy and procedures. Their current manual is 9 feet long. It is consolidating over 200 claims manuals, some of which were in use until last year. Field offices are receiving 30 pages of update for this manual each day.

SSA field offices have seen several waves of policy initiatives—adding to and revising responsibilities of those who process claims. Two major initiatives were launched simultaneously in 1981.

At the same time, personnel cuts and a hiring freeze have limited staff resources in the agency.

Social Security's computer capacity has lagged its computer needs for nearly a decade—and a lot of the workload that could have been computerized has not been.

Let me simply conclude by saying that we are here today to find out the extent to which these changes have made the day-to-day work of the agency more difficult and error-prone. We have asked the General Accounting Office, Social Security field office workers who are members of the American Federation of Government Employees, and officials of the Social Security Administration to help us understand the problems in the social security program that cause payment error and complicate the operations of the field offices.

The social security program, we all believe, was created as a public service to provide people income for their retirement. It is the most important single Government program and the most important service that the Government provides. We want the Social Security Administration to keep an unblinking eye on its mission of public service, and the fact is that persistent and prevalent problems that have come to our attention indicate that this mission is not being fulfilled. It is a public disservice not to protect each and every beneficiary's right to the retirement income they have earned. A system that errs frequently, and usually in favor of itself, fails the test of putting public service first.

Before hearing from the Acting Commissioner of Social Security, Martha McSteen, I am going to insert in the record the statements of two members of this committee who cannot be with us today, Senators Pete Domenici and John Glenn.

[The statements of Senators Domenici and Glenn follow:]

STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman, social security is the Nation's most important and most successful domestic program. It provides benefits to replace income lost due to the retirement, death, or disability of a worker. These benefits now go to nearly 36 million workers, survivors, and dependents, including over 176,000 beneficiaries in my own State of New Mexico. Over 110.6 million workers contribute into the system. This includes nearly 600,000 contributors in New Mexico. Nearly one-third of all Government outlays are paid to social security retirees, either in cash or medical benefits.

Last winter Congress and the President developed an important bipartisan compromise to insure the financial solvency of the retirement trust fund. All of the participants made significant concessions to achieve the common goal of a fiscally sound social security system.

Mr. Chairman, the bipartisan compromise which you and many others worked hard to achieve is only one part of our duty to the American public. We also must insure that the social security program serves the public in a responsive and efficient manner. Workers who must pay into the social security system for all of their life should, when the time to collect arrives, be assured of prompt, efficient, and accurate service. This hearing is designed to determine just how well Social Security serves the American citizens who have a huge stake in the system.

My own staff in New Mexico spends a considerable amount of time trying to solve the problems of social security recipients. We don't have to advertise for customers. In fact, a staff survey performed by the Aging Committee shows that, in general, 29 percent of staff time is devoted to social security casework. This situation disturbs me, because each beneficiary who must turn to his or her elected representative for help represents a breakdown in the social security administrative process.

This breakdown is so well known that, in New Mexico, Social Security employees consistently refer beneficiaries to my office for assistance. Constituents are commonly told to go through my office to save months of time in a process that is undeni-

ably too long. Maxine Cogdill of my Albuquerque office and Ellen Ward in Las Cruces tell me that a case that goes through the entire process typically takes from 18 months to 2 years, and some take even longer. The Social Security Disability Determination Unit (DDU), for example, takes 2 months to process an initial application. If the DDU denies this application and the client asks for a reconsideration, this takes another 2 months. From the DDU, the next step is the administrative law judge (ALJ) hearing, which takes an average of 3 months. Before the beneficiary gets the ALJ decision, another 2 to 4 months elapses. The final step is the Appeals Council. This panel can remand a decision to the ALJ, which routinely happens, adding several months to the elapsed time.

Complaints about this system are a matter of local press interest in New Mexico. I would like to submit an article from the Albuquerque Tribune, Thursday, November 10, 1983, entitled "City Doctor Wants Bigger Medical Role in SS Pay Decisions." This article is about a former DDU doctor, Donald J. Boon, who maintains that there is "an obvious bias against doctors as being vital in this process." Dr. Boon would like to "restore medical judgment to the earliest level of claim evaluation. I agree with his concern.

I would also like to submit for the record a letter to me regarding a client with a heart condition. The ALJ agreed with the disability decision, but while the Appeals Council deliberated, the client died of a massive heart attack. This same type of incident occurred last week in Las Cruces. Another New Mexican died of a heart ailment while the Social Security Administration deliberated about the veracity of his claim.

There are at least two negative effects for each breakdown of the social security process. First, some beneficiary or claimant suffers, dies, or loses a home because a benefit is delayed, incorrect, or not paid, or a disability determination is incorrect, or any of a multitude of possible difficulties occurs. Second, public confidence in the social security system declines. This is a particular problem at this moment—so soon after the recent financial crisis in the trust fund.

I have seen both of these effects in New Mexico. The same information comes from my staff, from Social Security personnel, and from beneficiaries. I have heard from my colleagues of similar situations in other States.

I don't mean to place the blame of the employees of the Social Security Administration. I know from personal experience that they work hard and are genuinely concerned about the elderly and the disabled. But I know many of them would agree with me that the system is too often cumbersome and unresponsive.

This morning's hearing will focus national attention on this situation. The committee will hear testimony from both social security recipients and social security administrators. I am especially pleased to welcome Martha McSteen, who has recently been appointed Acting Commissioner of the Social Security Administration. Commissioner McSteen was most recently Regional Commissioner for SSA in the Dallas region. I know she is familiar with the situation in my own State.

I will review carefully the testimony of today's witnesses to determine the nature and extent of the service problem. I hope that this will lead Congress and the administration to find solutions to the problems we undercover. The social security program is too important to today's beneficiaries and today's workers, who are tomorrow's beneficiaries, to allow administrative errors to erode public confidence in the system.

[From the Albuquerque Tribune, Thursday, Nov. 10, 1983]

City Doctor Wants Bigger Medical Role in SS Pay Decisions

(By Kelly Gibbs)

An Albuquerque doctor wants the New Mexico Medical Society to support greater say for physicians in decisions about cutting off social security disability benefits.

Dr. Donald J. Boon also is beginning a petition drive to try to persuade Congress to "restore a little sensitivity to the rock image" of the Social Security Disability Determination Units.

At the interim convention of the New Mexico Medical Society Friday in Roswell, Boon will propose that the society call for Congress to "reassess the role of physicians * * * and to restore medical judgment to the earliest level of claim evaluation."

In 1980, Congress passed laws intended to cut back on social security benefits, including the controversial law that requires disability beneficiary cases to be reviewed every 3 years.

But charges of mismanagement of the review process have caused a nationwide backlash—eight States have declared moratoriums on cutting people off the rolls. New Mexico is complying with the rules.

Lawmakers, doctors, and disability beneficiaries have hotly declared that the guidelines are faulty, that the disability program is being administered without compassion for the disabled, and that cases are being decided arbitrarily and without "sufficient medical consultation" as required by Federal law.

Boon, who served 10 years on the Illinois and New Mexico Disability Determinations Units, also contends that New Mexico's review process is administered unfairly and that doctors are no longer consulted fully in decisions to cut a disabled person off the rolls.

"Twice I was told to sign cases without reviewing them, the first by a supervisor, the second time by a fellow medical consultant," Boon wrote in an August letter to Representative Manuel Lujan.

"One case was a patient with leukemia wrongly denied (benefits)," he wrote. "When I presented this to the adjudicator, he didn't even seem to care."

Boon says that while the number of cases has skyrocketed, doctors' hours devoted to reviewing cases have been cut.

"Also, there are cuts in funding for medical consultants," Boon said. "There is an obvious bias against doctors as being vital in this process."

But Lorn Shields, chief medical consultant for New Mexico's DDU, says the average time doctors spend on cases has increased and that Federal funding to pay the doctors has risen.

In 1980, doctors spent 4,764 hours reviewing 13,716 cases, an average of 20.8 minutes per case, Shields said.

That compares with 6,854 hours reviewing 16,703 cases in 1983, an average of 24.6 minutes per case, he said.

Doctor's pay for the work increased from $30 an hour in 1980 to $32.50 an hour in 1983, he said.

Five doctors of the nine-member DDU medical staff are specialists, Shields said.

"It is true that other agencies have more specialists that we do, but these things come and go," he said. It's not because we haven't tried; it's because (specialists) get set up in their own practices and leave us."

Ralph Marshall, medical society executive director, said that if the society adopts Boon's resolution Friday, it probably will ask the American Medical Society to adopt it at the national level.

LAW OFFICES OF DUHIGG AND CRONIN,
Albuquerque, N. Mex., November 9, 1983.

HON. PETE V. DOMENICI,
U.S. Senator,
Albuquerque, N. Mex.

DEAR SENATOR DOMENICI: Please find enclosed a copy of a letter I have written to the Social Security Office of Hearings and Appeals in Washington.

This case is a good example of everything that is wrong with the current social security disability administrative program. In my opinion, the Appeals Council does nothing other than deny otherwise valid claims for disability. I personally never had the Appeals Council reverse an unfavorable decision no natter what relevant evidence was provided. I believe the standards of review and procedures of the Appeals Council should be reviewed. If they are, I would appreciate it if you would direct this to the person or committee so handling it.

Thank you for your consideration.

Sincerely yours,

DUHIGG AND CRONIN,
LEON J. THOMAS.

Enclosure.

LAW OFFICES OF DUHIGG AND CRONIN,
Albuquerque, N. Mex., November 9, 1983.

SAMUEL H. DEPEW AND RICHARD F. BRODSKY,
Members, Appeals Council, Office of Hearings and Appeals,
Washington, D.C.
Re: Charles M. Shafer, SGLC7, SSN: 525-58-1012

DEAR SIRS: I wish to supplement my letter/brief of October 28, 1983, regarding the above claimant. By way of background, this fellow was given social security disability benefits in 1977 due to his heart condition and was terminated in November 1982. For the last year, we have been appealing this decision. In August 1983, the

local administrative law judge found in favor of the claimant and found that he met the listing of impairment for disability purposes due to his severe heart condition.

In October, you decided to review the judge's decision, and you concluded that his findings and conclusions were not supported by substantial evidence. You allowed me to provide you with additional evidence in a letter/brief, which I have done. Since then, I have been provided with further relevant information.

The claimant is dead. Apparently, he died of a massive heart attack last week. As soon as I receive a copy of the certificate of death, I will send it to you. If an autopsy is done, I will send you that report as well. I am requesting that you withhold a decision until those materials are provided. Thank you for your consideration.

Sincerely yours,

DUHIGG AND CRONIN,
LEON J. THOMAS.

STATEMENT OF SENATOR JOHN GLENN

Mr. Chairman, earlier this year we took a major step in restoring faith in the social security system with enactment of solvency legislation for the retirement program. This was a major accomplishment. After completing action on the 1983 Social Security Act Amendments, I would like to think we could rest easy, but that is not the case.

The public's confidence in social security has been shaken on another front. Stories covered by the news media have raised concern over disabled Americans losing their benefits for many months before being reinstated, monthly checks being sent to dead beneficiaries, benefit underpayments and overpayments, and various aspects of the Social Security Administration's computer problems.

Action is needed to insure that social security pays the right checks to the right people. We also want a Social Security Administration that is responsive to beneficiaries. If a mistake is made, it should be corrected in a timely fashion, without unnecessary human anguish. We must remember that social security programs serve some of the most vulnerable members of our society.

I welcome today's testimony by the new Acting Commissioner of Social Security, Martha McSteen. I applaud the administration's decision to appoint someone with more then 25 years of experience with social security to take charge of the agency. I also believe it was time to recognize that being Commissioner of Social Security is a full-time job. For the better part of a year, former Commissioner Svahn held additional executive branch positions of considerable responsibility.

The Social Security Administration maintains approximately 240 million records for benefit checks. Yearly, it issues some 10 million new social security cards. Monthly, it mails out benefit checks to more than 38 million Americans. The information provided at today's hearing may only give us a snapshot view of the agency's performance, given the size and complexity of its operations. However, I hope it will be an important beginning in reviewing the quality of beneficiary service and in determining the steps which can be taken to improve service.

I thank our invited witnesses for coming today, and I am pleased to know that the State of Ohio is well represented.

Chairman HEINZ. We have a very distinguished list of witnesses today, and I am pleased to have before the committee, I believe in her first appearance in her capacity as Acting Commissioner of Social Security, Martha McSteen, the Acting Commissioner of Social Security at the Department of Health and Human Services.

Ms. McSteen, please proceed.

STATEMENT OF HON. MARTHA A. McSTEEN, WASHINGTON, D.C., ACTING COMMISSIONER OF SOCIAL SECURITY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. MCSTEEN. Thank you, Mr. Chairman.

I appreciate this opportunity to discuss the quality of service the Social Security Administration provides to the public. My primary administrative goal is the revitalization of SSA's delivery of service. I am personally committed to try to make SSA the best agency in Government.

The essential first step in improving our service to the public is already underway. Modernizing SSA's computer systems should make possible tremendous improvements in SSA service.

In improving SSA's systems, a number of services have already been implemented, including immediate benefit estimates by field offices for people over age 60, faster processing of changes in beneficiary status and accelerated processing of many new claims, so that the first check may be received in 7 days. Reducing processing time for social security account number applications from 4 to 6 weeks to an average of 11 days is another forward step. Restoring the up-to-date processing of automatic recomputation of benefits due to earnings after entitlement is an achievement. This will provide, by early December, about 2 million beneficiaries with increases in their benefits averaging around $20 per month.

We just completed, last month, the first phase of SSA's 5-year systems modernization plan, and in doing so, we have accomplished four major tasks.

First, we are now using modern techniques for developing new computer programs.

Second, we have installed for our telecommunication system new computers which have dramatically improved response time to our field offices, so that they can provide more prompt and accurate service.

And third, we have used available time on the new computers to eliminate work backlogs in other areas. We are also acquiring modern equipment for the rest of our computer operations, which we will begin installing by year's end.

Finally, we have eliminated tape files from many of our operations and replaced them with disk storage. This will eliminate, in 1 year alone, over 1 million occurrences of employees having to move tapes on and off our computer equipment. Each time the tape movement takes place, there is an opportunity for error, which we can now avoid.

Also, the new disk storage sets the stage for the time when we can provide our beneficiaries immediate information about their cases and take immediate action to make the requested changes.

At this point, the outlook for the next 18 months of the second phase of our systems modernization plan is quite positive. We expect to redesign our computer programs, further improve our telecommunications system, and expand our computer capacity during this period. At the same time, we must continue to improve our processing of the current work as much as possible. We know that this will not be easy. Implementation of the 1983 social security amendments will increase workloads over the next year and generate large volumes of inquiries.

We know that we are going to have to work very hard to keep the backlogs from rising sharply and causing delays in processing new work.

This difficulty that we face in implementing new legislation without letting current work slip behind is one important reason why completing the systems modernization plan is so critical. One purpose of the plan is to give us the means to implement new legislation quickly and automate the work we must do—both to pay new claims and make adjustments quickly and accurately when a

beneficiary's status changes. This latter job—what we call post-entitlement work—has in recent years grown tremendously. It is imperative that we automate as much of this work as possible, because it is the area in which we make most of our errors.

When delays occur in processing changes in a beneficiary's status, erroneous payments go out until that change is made, and until we get the systems modernization plan fully implemented, we recognize that some errors and delays will occur. Although significant payment errors develop in only a small percentage of cases, that does not ease the anxiety and concern those beneficiaries may experience.

Having spent most of my career in SSA working in the field, I understand and share the frustrations beneficiaries and SSA employees feel in trying to deal with beneficiary problems. For this reason, Mr. Chairman, I am personally dedicated to seeing that SSA does improve its delivery of services and that we eliminate as many errors as possible and deliver our services courteously and humanely.

Thank you for this opportunity to address our service concerns and goals.

Chairman HEINZ. Commissioner McSteen, thank you very much, and since you did abbreviate your statement, your entire prepared statement will be a part of the record, without any objection.

Ms. MCSTEEN. Thank you.

[The prepared statement of Ms. McSteen follows:]

PREPARED STATEMENT OF MARTHA A. MCSTEEN

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to discuss the quality of service the Social Security Administration (SSA) provides to the public. I am particularly happy to address this critical topic so soon after assuming my new role at SSA, because I have set as my primary administrative goal the revitalization of SSA's delivery of service. I am personally committed to restoring SSA's service to the highest possible level—we want to be both an extremely efficient agency and one that truly cares about the people we serve.

In undertaking this effort, I am fortunate that the absolutely critical step of modernizing SSA's computer systems is already underway. Without this modernization plan, initiated by Jack Svahn when he served as Commissioner, we at SSA could not hope to make the quantum improvements in SSA's service that we want to achieve and that the public has the right to expect. Solid progress has been made in improving SSA's systems, and a number of service improvements have already come to fruition. For example:

Immediate benefit estimates, SSA's online data base was expanded to allow field offices to provide immediate benefit estimates computed by the system for people age 60 or older.

Faster processing of changes in beneficiaries' Status. Selective data from SSA's master record of retirement, survivors, disability, and health insurance beneficiaries were added to the online data base to allow field offices to substantially reduce processing time for changes in the status of people already receiving benefits. The complete master beneficiary record will be online by early 1984.

Faster claims processing. Systems improvements were made to allow field offices to process approximately 25 percent of all retirement and survivors claims from application to receipt of the first check in about 7 days, compared with 13.1 days through the normal process.

Faster social security number (SSN) processing. The system was upgraded to allow field offices to enter SSN applications directly into the system and thus shorten the time from application to receipt of the social security card from 4 to 6 weeks to an average of 11 days.

Up-to-date processing of automatic recomputations of benefits due to earnings after entitlement (AERO). More efficient data processing procedures were imple-

mented to allow quicker payment of increases in benefits due to additional earnings. We are now back on schedule for AERO recomputations and, by early December, about 2 million beneficiaries will receive AERO increases averaging $20 per month.

GROWING COMPLEXITY OF PROGRAMS SSA ADMINISTERS

These improvements represent only first steps toward the levels of systems support and service that are our goals. Before describing what we are doing to achieve these goals, I would like to describe briefly how SSA came to be in the situation in which we find ourselves today.

The best way for me to explain what happened over the years to affect SSA's operations and ability to deliver service is to look back at how the complexity of SSA's mission has grown since I joined SSA as a claims representative in 1947.

At that time the social security program was fairly simple and vastly easier to administer than it is today. For example, title II of the act—the section dealing with old-age and survivors benefits—was only 22 pages long; it is over 200 pages today. Even though most of the benefit computations and claims processing were done manually then, the computations and claims were fairly straightforward. We did not have to worry about such complexities as actuarial reduction in benefits or governmental pension offset provisions, and we did not have to consider several alternative benefit computations in processing a person's claim.

In the following years, the complexity of the program increased steadily as major amendments changed the law. Then, of course, whole new programs—disability insurance in 1956 and medicare in 1965—were added.

Each time up through the 1960's that major new legislation was enacted, SSA was able to meet the challenge of implementing program changes in large measure by increasing staff to handle the increased workloads. Also, the changes were separated by enough time to allow new employees to be fully trained and absorbed by the organization without diluting its efficiency.

Starting with the 1970's, however, both the pace and administrative complexity of program changes increased. First, SSA had major responsibility for implementing the Black Lung Benefits Act, which was enacted on December 31, 1969, and effective January 1, 1970. Only enormous human effort allowed SSA to meet that non-social security responsibility as well as it did in the early 1970's.

In 1972, moreover, the supplemental security income (SSI) program was enacted, with the first payment authorized for January 1974. SSI presented SSA with its greatest administrative challenge. To meet that challenge and to try to serve its new clientele effectively, SSA increased the number of its field offices by 50 percent and its staff by 36 percent from 1972 through 1975. We realized, however, that a new way of doing the work was needed to administer the SSI program efficiently and to meet the needs of SSI claimants for timely service. To do this, the Social Security Administration Data Acquisition and Response System (SSADARS) telecommunications system was developed. This system enabled SSA field office employees to communicate directly, via terminals, with the SSI data base to establish, change and terminate SSI eligibility and payment amounts. Old-age, survivors and disability claims continued to be based on paper folder records transmitted by mail from district offices to Social Security's six program service centers, however.

While the SSADARS system and increased use of automation in SSI were intended to provide better ways of doing business, there were significant problems over the first few years of the SSI program in upgrading the computer and telecommunications systems to provide the level of support needed. By the time this was accomplished, the 1977 Social Security Amendments had been enacted, and these major changes significantly increased the complexity of the retirement and survivors insurance benefit calculation.

More recently, the Disability Amendments of 1980, the Omnibus Budget Reconciliation Act of 1981, and the Social Security Amendments of 1983 brought in rapid-fire fashion further significant complexity to SSA's work.

DETERIORIATION OF COMPUTER SYSTEMS AND SYSTEMS MODERNIZATION PLAN

In the midst of the rapid growth in SSA's program responsibilities in the 1970's, it became clear that SSA computer systems were increasingly falling behind in the task of enabling SSA to meet its basic operational mission of getting the right amount to the right person at the right time. As workloads continued to increase and new legislation was enacted, the inadequacy of our computer systems directly contributed to errors, delays in processing work affecting both new claimants and those already receiving benefits and difficulty in correcting errors once they are discovered by the agency or the beneficiary.

The deterioration of our computer systems had a far-reaching negative effect on our work because, with the advent of computers, SSA had sought to automate to the maximum extent possible the processes required to administer the programs. As a consequence of this approach, the complexities of the social security law are built into the data processing systems. Hundreds of different computational formulas, benefit categories, eligibility requirements, appeal procedures, and the like, are incorporated into computer programs. Without this automated capability, overwhelming manual resources would be required to accomplish SSA's mission and to successfully implement most legislative changes. But in recent years this system has not kept up with advances in data processing technology which would have allowed us to do our work more quickly, more efficiently, and with less error.

To address and solve our computer systems problems, SSA, in February 1982, began its system modernization effort. This effort was aimed first at shoring up current operations, preventing further deterioration, and avoiding a crisis. This "survival" period was completed as of October of this year, and we are now moving to the phase of redesigning our operations and systems to increase efficiency and to provide improved service. SSA's accomplishments during the "survival" phase are something that we can be proud of.

I would like to briefly describe the four basic reasons for our systems problems and what we have done in the first phase of the systems modernization plan to correct each of those problems.

The first problem was that the programs or "software" that operate the computers are old and inefficient. To quickly automate the major legislative changes, those changes have typically been absorbed into existing administrative processes and computer systems as modifications, rather than added through the more time consuming, but more desirable, process of designing entirely new systems. This approach of modifying programs only to the extent necessary to implement a given change has allowed the agency to process its massive workloads rapidly. However, it has also resulted in enormously complex, patchwork systems encompassing decades of different programing techniques.

These problems with the condition of our computer programs have made even the simplest changes, such as a cost-of-living increase, a major undertaking, affecting hundreds of computer programs. Any changes due to new legislation or regulations involve extensive time, resources, and risk. Moreover, because there are certain types of computations and actions our computers have not been able to do, a significant amount of staff time has been needed to do them manually. And it is in this manual processing that errors are most likely to occur.

In phase 1 of our modernization plan, we have introduced and institutionalized modern techniques and disciplines to prevent the continuation of today's outdated ways of developing new computer programs. We have laid out a computer software improvement plan to bring about immediate changes and to prevent continued errors. Longer range, we are in the process of redesigning over the next 1 to 2 years our biggest and most important computer programs. We are starting with our entire claims operation, which is the basis of much of our work. In addition, we are redesigning our annual wage reporting system which has been a source of concern to both the Congress and those of us in the organization. This redesigned system will permit us to credit earnings promptly to each worker's wage record.

Our second systems problem was that SSA's computer equipment has been outdated, unreliable, and inadequate. Frequent breakdowns and the lack of capacity often cause critical work to be processed behind schedule or not at all. Failure to meet production schedules has meant that critical work, such as the yearly recomputation of benefits for people already on the rolls that I mentioned earlier, has, until recently, been backlogged for over 2 years, and operations which should run daily are run only three times a week.

Using available time on new computers recently purchased in phase 1 of the modernization plan for the telecommunications system, we have been able to eliminate the backlog in our yearly recomputation of benefits. In addition, we have just announced the procurement of similar new, modern equipment for the rest of our computer operations which we will begin installing by year's end. This equipment will allow us to get back on schedule with prompt processing of our workloads, including daily processing by next spring of the work I mentioned a moment ago that we now can run only three times a week. This will set the stage for our growth to a more modern, efficient operation.

The third basic problem was that SSA's computer operations have been handicapped by our files and data bases being stored on over 500,000 reels of magnetic tape, rather than more modern "disk" storage. Use of tape required extensive scheduling and large clerical staffs to move the tapes. Errors in handling tapes during

operations frequently led to computer stoppages, and the need to rerun programs. Besides being highly labor intensive and costly, the tape environment prevented immediate response to beneficiary needs and contributed further to workload backlogs. Moreover, since tapes represent an outdated way of doing business, they prevented us from moving to a more efficient mode of computer processing.

Perhaps our most impressive accomplishment during the survival period has been eliminating tape files from many of our operations and replacing them with the newest, most modern, "disk" storage. This will eliminate in 1 year alone over 1 million occurrences of employees having to move tapes on and off of our computer equipment. Each tape movement is an opportunity for error which we can now avoid. Also, the new disk storage sets the stage for the time when we can provide our beneficiaries immediate information about their cases and take immediate action to make requested changes. Moreover, since disk storage does not require continuous manual intervention, data are not misplaced or lost.

The fourth basic problem was that SSA's telecommunications system—first teletype and later SSADARS—which links our field offices to our computer system became increasingly inadequate. Today, its basic design is out of date, causing bottlenecks in the flow of information. Moreover, until recently the computers that operate it have been overworked, causing delays in processing work and resulting in field office and beneficiary dissatisfaction.

To correct this problem we have, as I just mentioned, purchased two new computers to operate the telecommunications system. With these computers, we have eliminated our message backlogs, dramatically reducing the response time to our field offices, and have some capacity left to help us process programmatic workloads. Currently, we have completed our plan for a replacement of the rest of our telecommunications network which should provide the capabilities we need for growth and for supporting more modern, online operations.

In short, we have made good progress during the 18-month survival period, but much remains to be done. We have stabilized our systems and systems workloads, have cleaned out systems backlogs, and are now prepared to move forward to achieve both more efficient administration and a superior level of service to our beneficiaries.

STEPS TO IMPROVE SERVICE

The systems modernization plan will allow us to improve dramatically the ability of the people in SSA field offices to deliver on-the-spot, accurate service. Over the next few years we will pilot test and then implement Nationally what we refer to as our field office enhancement project. This effort will provide filed office employees who deal with the public the most modern computer terminals which will give them immediate access to all of the computer records that are used every day.

This will allow significant improvements in service in three areas. First, field office staff will be able to immediately determine by querying the system the status of any of the claims or postentitlement action under their control. Thus, when a claimant or beneficiary calls to find out the status of his or her claim, the claims representative will be able to provide it immediately.

Second, field office people will be able during the interview to enter information directly into the system from the terminals at their desks, request any information in our records needed to process the claim and produce a paper copy of the application for the claimant to sign. Postentitlement changes, such as change of address, will also be immediately entered into the system.

Third, local offices will be able to enter the necessary data and then have the system do almost any type of computation the offices now do manually. Since many of these calculations are time consuming and error prone, this automation of computations now done in the field will significantly improve productivity and reduce errors.

In short, field office systems enhancement is going to bring us fully into the computer age. By completely automating the way we do business in field offices, we will make the work easier, eliminate manual errors, and be able to carry through to immediate completion many actions. The results will be the faster, more efficient, error-free service to the public that all of us at SSA want to provide, as well as the conservation of administrative resources.

In addition to bringing SSA's systems up to a state-of-the-art level, I think it is critical to the revitalization of SSA's service to improve the knowledge and skill of every SSA employee. Every employee should know that he or she is important to SSA's success in serving the nearly 50 million Americans who come in direct contact with the agency each year. Because claims representatives in the local Social

Security offices represent SSA to most people, it is particularly important that they be as well trained, as committed to their job, and as well supported by up-to-date technology as possible.

Mr. Chairman, I want you to know that I am aware of and very concerned about the kinds of service problems some applicants and beneficiaries have encountered. The difficulties encountered by the beneficiaries you are hearing from today I am sure are very frustrating to those people. I believe that people have a right to service that is efficient, accessible, objective, courteous, and dignified. Although there will never be a time when we are so perfect that we make no mistakes, we are striving to improve our productivity and the speed and accuracy of our work. I am dedicated to reattaining the high level of service SSA provided when it was widely regarded as the most effective and efficient agency in government.

Mr. Chairman, this concludes my prepared remarks.

Chairman HEINZ. At the outset, I want to not only welcome your commitment to improving the quality of public service in SSA—I commend it; I congratulate you for it—I also want to warn you that the committee will be holding a followup hearing this spring. You have stated great hopes for the implementation of various phases of the systems modernization plan, and we certainly hope you are successful in that, and we hope this spring you will be able to return and testify to even greater success. We believe it is necessary.

I would only add, as I pointed out in my opening statement, that I have reason to believe some of the problems that you face at SSA are problems created by the Congress, problems created by the Senate and by the House, and I hope that you will include in your plans and recommendations specific recommendations for congressional action as well, and especially those that you believe are absolutely essential to allowing you to fulfill the public service mission that you have testified to so eloquently.

The main emphasis in your testimony is the systems modernization plan, and starting on page 10 of your prepared testimony, you point out that you have, really, four major problems. You have outdated software; you have antiquated processing equipment and storage; and you have a telecommunications system that leaves something to be desired. These are all computer problems, and it is commendable that you are making progress on these kinds of physical, processing, computer kinds of issues, and we are glad to hear about that. But as I indicated in my opening statement, and as I believe GAO is going to indicate later, there may be some additional problems in management and operations, which go well beyond computer hardware or software kinds of solutions.

Can you give us some sense of how your commitment to public service is going to encompass those particular kinds of problems?

Ms. MCSTEEN. Yes; thank you.

The management side, of course, is an area that must be addressed, because after all, our productivity does come from the individuals in our organization. We have very fine people in the Social Security Administration, and generally speaking, throughout this country, I think our individuals do provide courteous service.

We do find, because of the complexity of our programs—including the computations and the many changes in both law and procedures that have to be implemented that it is a constant job to retrain and train new people so that they are competent and confident in their dealings with people.

So, retraining and of course, initial training, will be a major focus, and I do think that training is one of the most important things affecting service so that when a person calls our office or comes in, the person will get correct information as rapidly as possible.

The systems modernization plan will certainly be a major factor in this, because part of our problems has been that face to face with the public, we have not been able to provide an immediate response to someone saying, for example: "What will my benefit be?" With the systems modernization, we will have the capacity to have our master beneficiary records and the earnings records available immediately. As a result, we expect our service to be much more prompt, and certainly, more accurate.

Chairman HEINZ. How will simply improving the computers solve the problem that I encountered with my constituents in Pittsburgh where the Social Security district office was unable to get the regional office to tell them anything for an extended period of time? I think we can all understand that errors take place, that records get lost, but why shouldn't someone telex back or send a form letter back, saying, "Your message has been received. We are working on it, but we have got problems," at least to reassure people that various storm warnings that have been run up the flagpole have been seen and that someone is paying attention?

Ms. MCSTEEN. There has been some activity in the area of managing caseloads and workloads that may have gone astray for one reason or another. A system is being set up for following up and keeping track of those cases. That system will go live in the first part of next year in our installation in Baltimore. So we try to get interim notifications out.

Perhaps part of our problem—and we are talking about this in our central headquarters—is how we can help our people in central office who never see the beneficiary really realize what a particular action—a call or a benefit calculation, and certainly the check—might mean to someone. We are trying to find ways of helping our employees all over the country realize that any mistake we make is critical to someone, one of your constituents as well as others throughout the country.

Chairman HEINZ. Let me ask you to observe to your left some black books. Do they look at all familiar to you?

Ms. MCSTEEN. I would put my glasses on, but I do not believe I need them to see those volumes.

Chairman HEINZ. Can you identify exhibit A?

Ms. MCSTEEN. Well, this sort of thing absolutely overwhelms a new employee, as you might imagine.

Chairman HEINZ. Well, before you tell us how overwhelmed people are, could you tell the committee what these black books—there are roughly 9 feet of them—happen to be?

Ms. MCSTEEN. They are our explicit instructions to our offices, to our individual employees, as to how to process the claims and follow them all the way through any postentitlement action. The instructions cover all social security matters, from the very beginning with issuance of social security account numbers, to filing for old-age, survivor, or disability benefits, or for SSI—all procedures for all the programs that we administer.

Chairman HEINZ. Now, if I were the office manager of the Pittsburgh or the Philadelphia district office, would I be expected to know all those procedures?

Ms. MCSTEEN. Well, the manager might be startled to hear me say "Yes," but no, it is not practical to think that someone can recite them.

Chairman HEINZ. That was not my question. It was not a question of whether it was practical. That question answers itself by looking at that stack of books. The question is, if I wanted to be a really first-rate supervisor, doesn't the Social Security Administration at the district office level expect me—or, at least on paper—expect me to know the contents of all 9 feet of those manuals?

Ms. MCSTEEN. Yes, except that, of course, the persons responsible for the various segments of the organization are specialized, so that if one is dealing with retirement benefits, then there is only a certain limited segment of the total instructions to which they refer. A claims representative, for example, is expected to be familiar with only about 25 percent of the total instructions.

Chairman HEINZ. Yes. Clearly, the fact that there are 9 feet of manuals there means that that district office manager is going to have to have very competent, able assistants who can at least take a couple of feet to heart individually.

Ms. MCSTEEN. Yes. The supervisors would like to have more peers to spread this wealth of knowledge among them, to be responsive to SSA employees and the public.

I do want to say that we are moving to putting our instructions on the computer, so that with a good index, we will be able to call up certain segments of an activity and procedure and follow it through. Now, as you can see, it is a major undertaking to do that, so that the applicable instructions will be more readily accesible. But we do expect to have it down the road.

We are also curtailing some of the length of the materials intended to give overall guidance so they will not include all the examples and all the specifics that are now in this group of books before us.

Chairman HEINZ. Permit me a personal aside. I view these books with a great feeling of both trepidation and deja vu, because many years before I ran for Congress, I was a Government employee of a much humbler station. I was an inventory management specialist first class in the Air Force. And I was responsible for knowing three, four, or five different manuals, Air Force Manual 67-1, plus many volumes thereof, and my greatest achievement, I thought, was finding a way to eliminate two of those many manuals, which had lots of tables in them. I got an award from the Defense Department for doing so. Some cynics might say, "Senator, that is probably the best thing you ever did in your entire career in public service." But I do remember just how confusing and complicated they were. And I understand that in the case of these manuals, social security offices are still receiving about 30 pages of updates for these manuals every day. Does that sound right to you?

Ms. MCSTEEN. I am not aware that it would occur every day. I would have to ask someone to check into that.

Chairman HEINZ. Check into that. That is what our information suggests. I would be relieved to find out it was wrong.

Ms. MCSTEEN. I hope I can tell you that you are wrong.

Chairman HEINZ. If it is 30 pages a day, that would amount to about 6,000 pages of update a year, with 200 working days to the year.

[Subsequent to the hearing, Ms. McSteen submitted the following information:]

SSA maintains a record of the total number of pages of instructions produced in any time period but not of the percentage of those instructions that go to each specific type of user, such as district offices. We have no reason, on the basis of our summary information, however, to question the information the committee has received from the General Accounting Office survey of field offices which indicated that field offices receive an average of 28 pages of instructions per day. However, the instructions received by field offices are given only to the employees, such as claims representatives, service representatives, data review technicians, etc., whose job requires the new information. As a result, no single employee in local offices should receive anything near an average of 28 pages of instructions per day.

Chairman HEINZ. Madam Commissioner, you have been very helpful. We recognize that you are new in these responsibilities, but of course, by no means new at the Social Security Administration.

We are delighted—and I speak for the committee, although my colleagues would have been here had we been able to hold this hearing at its regularly scheduled time, which was 2 weeks ago, while Congress was in session, rather than in adjournment—but I do know that you are held in great esteem by many people in the Social Security Administration, and I feel sure that my colleagues would echo that esteem.

We wish you well, and we will send you an invitation to return in a few months' time so that you can regale us with the progress that you are going to make, and you can count on the support of this committee and any help that we can provide in achieving that progress.

Ms. MCSTEEN. Mr. Chairman, thank you very much for this opportunity. We do rely upon you and your committee to lend support to us, and we appreciate that support.

I would like to invite you and your committee to visit Woodlawn. It is a few miles away. We would guarantee not to show you any more black books, but I would like to show you what is happening in the systems modernization area and show you some of the initiatives that are being undertaken in the way of program simplification to eliminate some of the pages in some of the books, both to make it easier for the beneficiary and to make it easier for our staff.

Thank you very much.

Chairman HEINZ. Very well.

Thank you, Commissioner McSteen. We appreciate your being with us.

Let me just announce that, although the Commissioner is leaving, two members of her staff, as I understand it, are going to remain and be with us to assist, two Deputy Commissioners, Enoff and Doggette, will be here at the end of the hearing to address any specific questions.

Ms. MCSTEEN. Yes; they will be here for the entire hearing.

Chairman HEINZ. Thank you.

Would our panel of beneficiaries please come forward: Carole Williams, of my hometown of Pittsburgh, Pa.; James Badgero, of Worthington, Ohio; Paul Welch, Esq., staff attorney of Central Pennsylvania Legal Services; and James Nieberline, of Glen Burnie, Md.

While our witnesses are taking their places, let me thank them in at least two cases for their patience and understanding regarding the committee's rescheduling of this hearing. I think we were successful in two out of the four cases in making sure that our witnesses did not make an unnecessary trip to Washington, D.C., but in two cases, I know people did make a trip, and we thank you very much for your patience and understanding, and your willingness to come back to Washington, D.C., a second time.

Before we turn to our first witness on this panel, I would like to enter into the record the statement of Agnes Ballock of Hawk Run, Pa. Mrs. Ballock was one of our originally scheduled witnesses. She was going to tell us of her father, Mike Rusnak, and his experiences with the Social Security Administration. Unfortunately, her father is very ill. She is staying at home to take care of him. And I am sorry she is not with us today, since her story of bureaucratic difficulties in trying to resolve an overpayment action brings to light the frustrations and emotional stress people sometimes go through in trying to resolve a problem with the Social Security Administration.

Just briefly, SSA has made repeated attempts to collect a previously waived overpayment, even after Mr. Rusnak received personal, written assurances from none other than the Commissioner of the Social Security Administration that the problem had been straightened out.

I want to thank in absentia Mrs. Ballock and her family for their willingness to share their story with us and to express my sincere hope that they will never be bothered again on that issue.

[The statement of Mrs. Ballock follows:]

STATEMENT OF AGNES BALLOCK, HAWK RUN, PA.

Ladies and gentlemen, I am Agnes Ballock of Hawk Run, Pa. I had to quit my job to care for my father, Mike Rusnak, Sr., an invalid coal miner who is now 82 years old. Senator John Heinz has helped me with my father's problem with the Social Security Administration and he has asked me to tell you about this. I will try to be as brief as possible. The problem lasted from 1973 to 1983, so putting a 10-year problem into a few minutes will be difficult. I will limit it to the most important.

My father, who was a coal miner all of his life, was injured in a coal mining accident in 1936 which left him with a crippled leg. In July 1963, he qualified for social security benefits in the amount of $39.20. He and my mother, who is now dead, lived on this. Later, he was awarded supplemental social security benefits. In October, 1973, he was approved for black lung benefits, effective as of May 1972. On November 13, 1973, he received a check for $2,997.80 (black lung back award). I personally and immediately called and reported this to the Social Security office in Du Bois, Pa., that very day. His SSI was immediately discontinued. Nine months later we received a notice of change, dated July 31, 1974, that the SSI had been discontinued in 1973. On January 20, 1975, 14 months after I had notified them of the black lung awarded to my father, we received a letter and form from SSA in Du Bois for either reimbursement of $726.20 for supposed overpayment of SSI that my father received while waiting for a decision on black lung, or to show why he was unable to return the money. We filled out the form showing that he was not at fault for the overpayment and why he was unable to repay it. They lost this form, so another was filled out for them. Nothing was heard from them, so I called the Du Bois Social Security

office twice in February 1975, and was told that if we had not heard from them that we did not have to pay.

In the meantime, the money that my father received from black lung along with $1,200 from my daughter, was used to install hot water, a bathroom, and a new coal heating stove in my father's room. Up until then, the toilet was outside and going out there was difficult for my crippled father. He had surgery for cancer of the bowel in 1974 and in 1979 he underwent prostate surgery and surgery on his crippled foot. He is living with only part of one lung. He has heart disease as well as back and bowel trouble.

On August 29, 1980, 5½ years later, we received another notice demanding refund of $726.20. My father was 79 years old then and an invalid. I contacted State Representative Camille George in Harrisburg, Pa., at 3:38 p.m. on Friday, September 12, 1980. He kept me on the telephone while he talked to the Social Security office in Du Bois. He was promised a reply. None was ever received.

On March 29, 1982, 1½ years later, we again received a notice demanding payment. Two weeks later on April 15, 1982, we received still another notice from them because we had not responded to their letter of March 29, 2 weeks before. This form had been filled out and mailed on Sunday, April 25, 1982, with a notice that I was taking up the matter with President Reagan, since SSA comes under him. On April 28, 1982, just 4 days later, we again received the same forms. These same forms have been filled out for them and lost by them as far back as 1975.

Copies of my letter to President Reagan dated May 5, 1982, were sent to the SSA, Senator John Heinz, State Representative Camille George, and others. Representative George contacted the Philadelphia regional office. I received a letter from the SSA Director Manager in Du Bois, dated June 13, 1982, stating that their 1975 record did, in fact, show that this repayment was not required. The Commissioner of the Social Security Administration (Baltimore, Md.) wrote to me on July 20, 1982, that the district office in Du Bois had been contacted and that he was advised that my father's SSI overpayment had been waived. Senator Heinz received a letter from the Social Security Regional Commissioner in Philadelphia, dated July 20, 1982, stating that: A decision was made in 1975, that repayment was not required; that it had not been recorded in their computer system; that the overpayment material in the file had been shipped to storage; that Mr. Rusnak and his daughter would not again submit the information (we have never refused to submit this information and have submitted it several times); that the folder could not be located in their Du Bois office; that the Du Bois office decided to suspend collection activities rather than waive the requirement to repay; that their Du Bois office finally retrieved the folder from 1975 and found the decision to waive repayment of the overpayment.

Then on June 21, 1983, 11 months after the letters to Senator Heinz, Representative George, and to us, that repayment had been waived in 1975, we received another bill for past due payment. The bill was undated, but demanded payment by June 28, 1983. The envelope was not postmarked and the form had no address whatsoever on it. On June 28, we again wrote to President Reagan about this continued harassment of my father. On July 14, 1983, the Social Security office in Du Bois said that the new summer clerical had sent out the overpayment refund request and, as the Commissioner said in his letters to us dated July 14, 1983, we did not have to repay the SSI; that they had not corrected their computer record to show that the repayment was not required; that they were correcting their records this time; that they would not send out any more collection notices; and finally, they apologized for the mistake, trusting that we should not have further problems with Social Security. Senator Heinz and Representative George received letters to that effect. After the 10 years of what we went through, I certainly hope, but I doubt it. It has been very upsetting. Because of my father's medical condition, and upon his doctor's advice, he was not told of these problems after the firts overpayment notice.

Chairman HEINZ. Let me ask Carole Williams to be our first witness on the beneficiary panel.

Mrs. Williams, we thank you again for coming back. We are delighted to see you.

STATEMENT OF CAROLE WILLIAMS, PITTSBURGH, PA.

Mrs. WILLIAMS. Thank you.

Chairman Heinz, members of the committee, ladies and gentlemen, in going over the events regarding our problem with the Social Security Administration, I am almost tempted to start my

testimony with, "Once upon a time * * *," but the anger, frustration, and helplessness I felt at the time was no fairy tale.

Our initial contact with the Social Security Administration began on March 16, 1982, when members of our family went to our local social security office to file various forms along with a certified copy of the death certificate, as required, after the death of my father-in-law, Joseph E. Williams, who passed away March 11, 1982.

Our first hint of a problem came in September 1982, when we received a card from the local social security office, requesting that my mother-in-law, Naoma Williams, get in touch with a Mrs. Mueller in regards to the date of death of Mr. Williams.

It was at this time that my husband and I became involved, due primarily to the fact that Mrs. Williams is the unfortunate victim of Alzheimer's disease, an insidious disease that is only now being recognized for the devastating effect it has on its victims and their families.

Although, looking back on what was to transpire, I doubt that even if my mother-in-law did not have this problem, she would have been able to deal with the problems that were to arise.

As requested, I contacted Mrs. Mueller and was informed at this time that there was some confusion as to the date of death of Mr. Williams and that they only keep copies of the death certificate for 3 months.

I offered to send a copy, but she told me to give her the name of the funeral home, and she would verify the date of death with them.

In October 1982, we received a similar card from a different local office requesting the same information. I contacted a Mrs. Cheman and told her that we thought that this matter had been straightened out with Mrs. Mueller, but if they needed a copy of the death certificate, we only had one left and would send it to her attention. Mrs. Cheman said she would make the necessary copies and would return our original. I told her at this time it might be beneficial to contact Mrs. Mueller since she was working on this.

In January 1983, we received a letter from the doctors who had taken care of Mr. Williams, informing us that they were unable, on three different occasions, to receive payments from medicare, due to the fact that social security records had an incorrect date of death and they had been unsuccessful in their attempts to correct the date of death with the various agencies they were dealing with.

I immediately called the doctors' office because we thought this had been resolved. After talking with the billing secretary, arrangements were made to have these bills put in an inactive file rather than bill Mrs. Williams until we could straighten this matter out.

I again called Mrs. Mueller at our local office, and she confirmed this matter was still not corrected. I informed her of the letter and the arrangements we had made, but that this was not the case with other doctors who had been involved with my father-in-law and requested payment because medicare had rejected their claim.

You can imagine the anger my husband and I were experiencing at this time. How long did it take to correct the date of death from February 20, 1982, to March 11, 1982?

We were soon to find out.

After contacting Mrs. Mueller the following month, she informed me that this should be straightened out shortly. You can imagine our feelings of frustration and helplessness when we received a letter in late February 1983, from the savings and loan where Mrs. Williams has direct deposit of her social security checks, informing us the U.S. Treasury made a claim against her account for $381.50. Their reason being this was the amount of Mr. Williams' February 1982 social security check, and since Mr. Williams died February 11, 1982, he was not entitled to the check. Even though the savings and loan was aware that Mr. Williams died on March 11, 1982, they had no choice but to debit the account.

It would seem that Mrs. Williams not only had direct deposit but also direct withdrawal, because this was done without any type of notification being given my mother-in-law.

It was at this time, in utter confusion as to what we could do to straighten out this mess, that I contacted Senator Heinz, and it was only through his efforts on our behalf, for which I am deeply grateful, that we were able to make more headway in 2 months than was possible in the previous year in dealing with this problem.

Because I now had in my possession correspondence from the regional social security office in Philadelphia in reply to his inquiry, that actually stated the correct date of death, I was able to call medicare and, after supplying them copies, have them correct their records regardless of what the Social Security Administration records in Baltimore reflected, thus obtaining payment for the bills that were long outstanding.

Based on my experience, the inability to deal with the Social Security Administration in resolving this problem seemed to be a common occurrence, as was evident by other problems we were having in acquiring full medicare coverage for my mother-in-law.

I must also say that in my dealings with the Social Security Administration, their people at the local level for the most part were sincere and concerned in helping me try to resolve the problems, but were unable to do anything more than make written inquiries on a regional or national level. It would seem that lack of action and followup by these higher levels contributed greatly to our problem, and only after the intervention of someone like Senator Heinz, who is able to make direct inquiries at these higher levels, is a problem resolved.

In closing, let me say that my heart goes out to many of our older citizens who may be in better health than my mother-in-law, but may not have anyone to help them, and like Mrs. Williams, having lost a partner with whom they have shared the years, are forced to deal with a situation that constantly reminds them of their loss.

I came here to testify before you today not because I have a personal ax to grind with the Social Security Administration, but simply to ask of them: "Why?"

Thank you.

Chairman HEINZ. Mrs. Williams, thank you for a very clear and moving statement of your experience. All I can say and will say at

this time is I am sorry it took 1 year and 2 months to get that date straightened out.

Our next witness is Mr. Badgero.

STATEMENT OF JAMES E. BADGERO, WORTHINGTON, OHIO

Mr. BADGERO. Mr. Chairman and members of the committee, please understand that I harbor no ill will against the Social Security Administration.

I fully realize that mistakes will happen in any organization, government, or business. I am however, very much concerned about the right of any agency of the Government to enter into my account and remove money without due process of law.

The following is an accurate account of the happenings between myself, my wife, and the Social Security Administration.

While traveling in the Southwest in the winter of 1982–83, a letter was sent to my wife from social security informing her that because of my death in November 1982, a check for $1,404 would be sent to her, and her monthly benefits would be increased from $312 to $695 per month.

Our daughter, who was handling our affairs when we were out of town—our mail, checking account—called us about the letter, and we asked her to contact the Social Security Administration in Columbus to initiate action. She contacted a Brenda Renner and she, in turn, immediately started on correcting the error.

Social security, after stating I died in November 1982, continued to make payments into my account for November, December, and January 1983, at a rate of $696 per month, which was my standard allowance.

In February 1983, they removed $1,392 from my account, according to the bank statement for November and December 1982, evidently allowing the January payment to stand. They removed this money from my account without my knowledge or consent. We have our social security going on direct deposit to the Ohio State Bank, Worthington office.

Most of the negotiations were conducted by telephone with the Columbus office, and Ms. Renner and the local people were extremely helpful and did everything in their power to resolve the situation. But since the problem has not been resolved, I contacted the office of Senator John Glenn, to see if they could help.

At present, the problem still has not been resolved and stands as follows.

On April 28, I received a check for $1,392, which I assumed was the return of the money taken from my account.

I have been reinstated on the records of the living and received my first check on May 2, 1983, for the month of April.

I still have not been paid for the months of February and March 1983, for a total of $1392.

My wife has received a letter from social security, stating she owes $2,553, sent to her in error, which is correct. We were advised by the Columbus office to withhold payment until I had received payments due me for the months of February and March.

I thank you.

Chairman HEINZ. Mr. Badgero, thank you—and by the way, we are all delighted to see that you are in much better health than the Social Security Administration apparently thought; excellent, to be sure.

Mr. Welch.

STATEMENT OF PAUL D. WELCH, ESQ., MANAGING ATTORNEY, CENTRAL PENNSYLVANIA LEGAL SERVICES, NEW BLOOMFIELD, PA.

Mr. WELCH. Senator Heinz, I am an attorney with the New Bloomfield office of Central Pennsylvania Legal Services. New Bloomfield is located approximately 35 miles northwest of Harrisburg, Pa., in what I consider a very rural county.

In November 1977, Norman Freeland was referred to CPLS by an outreach worker from the local mental health/mental retardation office because of an SSI, that is, a title XVI, overpayment.

My experience with Mr. Freeland has been that he could very well be mentally retarded and that he is certainly intellectually impoverished. Furthermore, during the various times that I have talked with Mr. Freeland, he has fluctuated between a state of lucidity and a state of making very little sense at all.

That is not to say that Mr. Freeland needs a representative payee to handle his monthly benefits. It is my understanding from speaking with neighbors and relatives that he has the ability to manage his income in obtaining the necessities of life. Nonetheless, beyond this, I am unsure precisely of Mr. Freeland's other abilities.

Anyway, the SSI overpayment resulted from Mr. Freeland's nephew obtaining and holding a certificate of deposit in Mr. Freeland's name. The certificate was in excess of the resource limit set up by the Social Security Administration for SSI eligibility purposes. Although Mr. Freeland had no understanding of SSI eligibility standards and SSI reporting requirements, he was denied waiver of the overpayment because the certificate of deposit caused him excess resources. Furthermore, he was denied continuing eligibility for SSI benefits for the same reason.

Sometime after the waiver denial, the Social Security Administration referred collection of the overpayment to the General Accounting Office. The General Accounting Office in turn sent a letter to Mr. Freeland in November 1978, which Mr. Freeland took to his nephew. The nephew, Harold Maguire, arranged a compromise agreement with the General Accounting Office, whereby $500 was paid to them in full settlement of the matter, in approximately January 1979.

Approximately 3 years later, in April 1982, Mr. Freeland received a letter from the Social Security office in Carlisle, Pa. The letter indicated that the SSI overpayment was still outstanding and requested that a refund be made immediately, or that Mr. Freeland allow withholding to take place from his title II, that is, his regular social security benefits.

Mr. Freeland signed the form which accompanied the letter. The form provided for withholding of his full social security benefits until the full SSI overpayment was repaid. Given his intellectual impoverishment and possible borderline retardation, it was ques-

tionable, at least in my mind, whether Mr. Freeland understood exactly what he was doing. The reason I state that is because Mr. Freeland's monthly social security benefits, that is, his title II benefits, were his only source of income at that time.

Without further investigation into the matter, the Social Security Administration implemented withholding beginning in July 1982. Because of a cost-of-living raise, which was not taken into account when the Social Security Administration implemented the withholding, Mr. Freeland did receive $10 per month for the months of July and August 1982.

When Mr. Freeland's nephew learned that Mr. Freeland had virtually no income, he notified Central Pennsylvania Legal Services. Acting on his behalf, I contacted the Social Security office in Carlisle, informed them of the compromise, and demanded that the title II checks withheld for July and August 1982 be forwarded to Mr. Freeland.

Well, the Social Security Administration set in force proceedings to repay Mr. Freeland his benefits—or, set forth proceedings to reinstitute payment for September 1982. He still was without benefits for the months of July and August 1982. From September until December 1982, the Social Security Administration, upon various inquiries by my office, indicated that they had no information concerning the compromise settlement, and they further indicated that they did not have any way of learning about it from the General Accounting Office.

Finally, in December 1982, I was informed by the manager of the Carlisle Social Security office that she had obtained information concerning the compromise settlement and that in fact, Mr. Freeland's title II benefits had been wrongfully withheld.

Despite acknowledging in December 1982, that the checks were wrongfully withheld, it was not until mid-June 1983 that Mr. Freeland received repayment of this money.

Now, on top of this, in October 1983, that is, approximately 1 month to 6 weeks ago, I was informed by the manager of the Social Security Administration in Carlisle that they had reissued checks for the months of July and August 1982, despite the fact that the benefits had already been paid him in June. Fortunately, I was able to enlist the help of some friends of Mr. Freeland, and we returned the checks to the Social Security Administration.

Quickly, my concerns in this matter are threefold. First, the Social Security Administration was not even aware that the overpayment had been compromised and settled.

Second, they were willing to take an individual's entire monthly social security check without any concerns as to other sources of income with which the person could survive, and without concern as to whether the individual actually knew what effect such an agreement might have on his economic and physical well-being.

Surely, when an individual indicates that he desires his monthly benefit check to be withheld, the Social Security Administration should be willing to at least look into the matter and see whether the person understands the full ramifications of that decision.

My final concern is that it took almost 7 months for the overpayment to be settled, and then approximately 3 months after that, they turned around and tried to pay Mr. Freeland a second time. I

do not think this is an aberration in the system, either. I think that Mr. Freeland's case is somewhat typical. And I state that because I have been dealing with the Social Security Administration for approximately 7 years, and in addition, I have talked with other individuals who represent clients before the agency.

It is my opinion that the collection practices that are occurring do not take into account that we have human beings here, on fixed incomes, and that often these human beings have diminished capacities.

I think that the Social Security Administration would do well to consider these factors.

I thank you very much for the opportunity to testify.

Chairman HEINZ. Thank you very much, Mr. Welch.

When you described that the Social Security Administration had made an emergency payment 7 months later, I assume that meant using an emergency, expedited procedure, the purpose of which is to get income to somebody who is about to fall through the cracks.

One is tempted to assume that the operative definition of "emergency" is something different, namely, not the emergency for the beneficiary, but the emergency for the office, that it has taken them 7 months to find out what has been going on, and they had better act before it becomes embarrassing to the office, as opposed to a problem for the beneficiary.

Mr. WELCH. I would agree with that, Senator Heinz. When I referred to an "emergency" payment in my statement, I was quoting the word as it was used by the office manager.

Chairman HEINZ. Our fourth witness on the beneficiary panel is James Nieberline, of Glen Burnie, Md.

Mr. Nieberline, welcome.

STATEMENT OF JAMES NIEBERLINE, GLEN BURNIE, MD.

Mr. NIEBERLINE. Thank you, Mr. Chairman.

I do not have problems with computers. I think I have problems with the people in social security, and also, I have a problem with those manuals over there to understand one word, and that is "hardship," in one of those manuals.

I retired on May 1, 1980, and had paid into social security since its inception. Three months before I retired, I visited the Glen Burnie, Md., social security branch office to apply for benefits. I was interviewed by a very nice gentleman whose position required him to ask questions of my age and work history, including military service from World War II, and to record on a form the answers he was seeking.

He explained little to me, resulting in my lack of important information. Shortly thereafter, I began receiving benefits. After a beautiful summer, fall, and winter were keeping me indoors, I decided to maybe go to work for a short time. My wife was not able to retire at that time because she was still too young.

I decided to seek temporary employment as long as it would cause me no problems with social security. I had heard of others having problems, so I called Social Security on their information number, 792-7100, in October 1980, and explained to the person on the telephone that I had retired on May 1 and was thinking of

taking a low-paid, low-hours job. I asked, "How much money can I earn without causing myself problems with Social Security?"

The answer came back immediately: "$3,720."

I asked, "Are you sure?"

"Yes, you can earn $3,720." And there was nothing further to add to that.

I thanked the person and ended the conversation. I had discussions with several friends and my wife over the $3,720 figure and was not satisfied. I still had doubts that that was right.

Several days later, I called 792–7100 again, and after explaining that I retired on May 1, 1980, and if I were to go to work, how much could I work without social security problems. The answer was the same again, $3,720, and it did not make any difference if I earned it in 1 minute, 1 day, or 1 month.

Being satisfied after two calls, I went to work for 2 months and earned $860. In early 1981, I received a form requesting that I report my earnings for 1980, which I did, and in a letter dated May 18, 1981, they informed me that I was overpaid $904.80, for 1980, which was exactly 2 months' benefits charged to the 2 months I worked. Much to my dismay and surprise, they now informed me about the monthly rule concerning the earning of one-twelfth of the annual exempt amount, which was $3,720; you divide that by 12 and come up with the $310 per month rule.

Had the people on 792–7100 told me about this rule, I would never have taken the menial job position to earn $860 and lose $904. This amounts to the most stupid thing I have ever done in my entire life. No one in their right mind would do such as this.

At this time, I visited the Social Security Administration office and after receiving a lot of sympathy and "can't be's," they sent in a reconsideration request instead of a waiver of recovery form, so SSA began withholding $114 a month from my benefits. On June 7, 1981, they informed me that my full benefits would be restored in March 1981

On June 18, I got a letter saying that the full benefits would begin the next month, July. Full benefits did not resume, and in September 1981, I filed another request for waiver, and my full benefits began.

My waiver was denied in January 1981. In February, I requested a personal conference, which was held in the summer of 1982. I heard nothing until March 2, 1983. At this time, I was informed that I owed them $562, and that they would begin withholding in April. Then I received a letter dated March 23, 1983. They said they owed me $562, and I would receive the money in 7 days. Since then, I have heard nothing. I have several concerns.

First, I was not given pertinent information to avoid problems when applying for benefits.

Second, people who answer telephones at recommended numbers were lacking in knowledge of social security rules.

Third, letters contained paragraphs that were unclear, confusing, and sometimes contradictory.

Fourth, letters themselves contradicted each other.

Fifth, each time I had to go through my case from the very beginning, with a new interviewer at the local office, and they could not understand the problem.

Sixth, all the letters in my file were letters that I hand-carried to the branch office, and they made copies for the file. All that is in the file, my letters.

Seventh, the branch office did not know what was going on between me and the Philadelphia office.

I feel that I have been served an injustice. Social Security is trying to get back more money than I ever earned. I feel that if they make mistakes, they should pay for them. That is not so. One simple mistake has been compounded many times over, resulting in more confusion and more mistakes.

My story does not end here. It began in 1980, and it still continues, and I do not know where it will finish—probably in court.

Thank you.

Chairman HEINZ. Mr. Nieberline, I thank you.

I am tempted to ask, apart from that, have you been satisfied with your experience with social security? That is reminiscent of the poor fellow in Franz Kafka's novel, "The Trial," where this person begins to lose his job, lose his friends, people will not talk to him. He goes down to the ministry of justice and starts knocking on every door, and no one will tell him what he has done wrong, whether there is a trial proceeding against him They just tell him, "Well, we will let you know if you need to know that you are being tried for something, or if we need you to be a witness for or against yourself."

And at the end of the book, the person is reduced to a miserable state; he has nothing, and he never knows what has happened to him. And in your case, that is still going on, I guess

Mr. NIEBERLINE. It is still going on.

Chairman HEINZ. Maybe you would like to write a sequel to that book. [Laughter.]

I am going to return to all of you for some questions, but let me, with great pleasure, introduce Senator Chuck Percy of Illinois, who, for a number of years, was ranking member of this committee.

Senator Percy, would you like to make an opening statement?

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. Thank you.

I will be very brief, Mr. Chairman

To the representatives of Martha McSteen still in the room, I extend my apologies for the lateness of my plane's arrival from Chicago this morning and the apologies of the airlines for my lost baggage.

Chairman HEINZ. You did not turn them over to Social Security, did you?

Senator PERCY. No, but mistakes can even happen in the private sector.

I do want to state that this hearing is an important hearing, and the timing of it is very important, considering the GAO report that has been made. I would also like to note one thing that is very much on the upbeat about social security: In all of my meetings with senior citizens back in my home State, I cannot recall a period when there were less complaints about the social security system

and whether it was going to be bankrupt or not. At least the work of the Commission and the work of the Congress has restored a tremendous amount of confidence. The assurances that we have been able to make—that social security is here to stay, that you will receive it, and we will receive it, and children of all recipients will be receiving it—and those assurances have relieved a lot of worried minds. People were anxious, and constantly peppered me with questions about social security during that whole period of time when there was a question about the financing problems.

We have had in our own offices in Illinois an experience that has been a relatively good one, I think, in our personal contacts with social security personnel. Since the inception of the old-age and survivors' insurance program in 1935, a number of other benefit programs not directly related to the original mission of the agency have been added, which have made the system somewhat more complex.

While the supplemental security income, aid to families with dependent children, child support enforcement, emergency assistance, low-income energy assistance, refugee assistance, assistance to repatriated U.S. nationals, and black lung benefit programs have provided much needed help to millions of Americans, they have really added immensely to the complexity of SSA's operations. In addition, the more recent debt management and disability review initiatives have placed additional further demands on the system's already overextended resources.

So, we have to somehow take that into account. These have all been imposed upon the SSA, and we are expecting a great deal of the system.

Considering the volume of work that the Social Security Administration does, it is not surprising that there are mistakes occasionally. There are mistakes in the airlines, there are mistakes in the private sector. However, the problems with benefit payments are as frightening to beneficiaries as the system's financing problems we dealt with earlier this year were—perhaps even more so. Certainly, we are all aware of the fact that as you leave active life in business, and so forth, and you get into the senior citizen category, small things seem larger. You have more time to dwell on them, think on them, and fester under them, An individual complaint takes on a magnitude which might have been taken with some greater ease earlier in life, but becomes a real frustration in our senior years.

In my own State of Illinois, we have approximately 1.64 million persons who are recipients of social security benefits. The percentage of inquiries I have been receiving regarding social security benefits is identical to the percentage of the Illinois population over the age of 65—that is, 11 percent. This figure ranks considerably below the average casework load of 29 percent experienced by other members of this committee. It is for this reason that I am especially concerned about the benefit errors which are going undetected—possibly as high as one beneficiary in five having an administratively caused payment error, according to GAO's review.

Because of the increasingly complex requirements and procedures of the social security program, it is really unrealistic to expect the majority of beneficiaries to be able to identify or dispute

a payment error. And, I have done enough casework on it to know the frustrations that a person has when they try to battle through correction of what they think is an error.

It is our duty to take whatever steps we can to correct this situation.

However, I am pleased to report, Mr. Chairman, that so far as our operations in Illinois are concerned, employees of the Social Security Administration have been extraordinarily cooperative, helpful, and sympathetic. They have for the most part tried to see the problems through, but it still leaves an awful lot of people frustrated. It is a complex system, and we have increased that complexity by adding a lot of programs to it.

Thank you.

Chairman HEINZ. Senator Percy, thank you.

We are delighted that you are here, even if your baggage is not. But then again, nobody wants to carry around a lot of baggage these days.

We just completed the testimony from our four witnesses who have come from a variety of places—two from Pennsylvania, one from Ohio, and one from nearby Maryland.

Let me ask Mr. Badgero—who is becoming a star of television, radio, screen—Mr. Badgero, I want to be sure I am clear about what happened to you. You were determined to be deceased by social security. Presumably some well-intentioned keypunch operator pushed a "1" or a "D" instead of a "2" or an "A" for being alive, and as a result of that, the U.S. Government surreptitiously, without even wearing gloves so they would not leave any fingerprints, went into your bank account, took $1,392 out of it, and never even rang the doorbell, put a message in your safe-deposit box, did not do a thing to let you know that they had been around, and just vacuumed $1,392 out of your bank account.

Is that correct, that they never even gave you the courtesy of saying, "We are taking some money," or your wife the courtesy of saying—your presumed widow—that they were taking that money?

Is that correct?

Mr. BADGERO. That is correct, Senator.

Chairman HEINZ. I know that is what you testified to, and I know it is the truth, and the reaction I think we all have is, how on Earth can that happen in the United States of America?

We attribute that kind of stealth in the middle of the night to 1984 and a big brother kind of government, and it seems too incredible, it seems too outrageous, it seems beyond anything that we believe in that this powerful Federal Government can just sneak in through the back door, never let you know anything, and take $1,392 away from you.

And I assume that you never had a chance to contact the Social Security Administration and request a correction before Treasury did that; isn't that correct?

Mr. BADGERO. What is correct, sir.

Chairman HEINZ. The way Social Security operates, if you are living and they make an error like an overpayment—they usually make underpayments, by the way—but if they make an error, they are supposed to let somebody who is living know that they made a mistake. They are supposed to notify you.

It seems that if they presume you are dead, the same rights of notification do not apply to your widow or widower, or to somebody who might be depending upon you. I think that those of us here in Congress would subscribe to the proposition that regardless of whether Social Security thinks you are dead or alive, they ought to notify you or your survivor that they are about to do something to you, and maybe then they would solve the problem of declaring people dead and robbing them in the middle of the night.

I can only apologize to you. That is not what Congress in my judgment ever intended. I think it is outrageous. I think it is a travesty, and it runs counter to everything we in the United States believe in about fair play.

Mrs. Williams, your case is different, but to my mind nonetheless it is just about as outrageous. When did your family first realize that the Treasury Department took the money out of your mother-in-law's bank account?

Mrs. WILLIAMS. After we got the letter from the savings and loan, in February 1983.

Chairman HEINZ. And that was how many months later?

Mrs. WILLIAMS. After finding out about the incorrect date of death?

Chairman HEINZ. Yes.

Mrs. WILLIAMS. We found that out in September, and it was February.

Chairman HEINZ. So it was 6 months later, was it not?

Mrs. WILLIAMS. Right.

Chairman HEINZ. And your mother-in-law did not really realize what was happening?

Mrs. WILLIAMS. No.

Chairman HEINZ. She has Alzheimer's disease?

Mrs. WILLIAMS. Yes, she does.

Chairman HEINZ. There are so many people, frankly, who have Alzheimer's disease or who have other debilitating diseases. But even in the case of somebody who is not suffering from a degenerative disease like Alzheimer's, 50 percent of the time, I would imagine, that the spouse who passes away is the one who handled the family finances.

Mrs. WILLIAMS. He did.

Chairman HEINZ. And in this case, there was all the more reason to, with your mother-in-law afflicted as she has been. But what strikes me as particularly poignant in this case is that SSA and the Treasury Department by their actions did not just affect the bank account that your mother-in-law was left with, but also denied payments to doctors who had cared for your father-in-law. If your mother-in-law was depending on any of the same physicians, or doctors, or hospitals, that could very well have threatened her with being unable to obtain proper medical attention because they might have thought she was a deadbeat of some kind because medicare was not paying her bills.

Mrs. WILLIAMS. That is possible. Fortunately, those doctors were very understanding about the whole situation.

Chairman HEINZ. I understand that, and apparently, the doctors and the other health-care providers cooperated. And let us hope it

is always so. But had she not obtained that cooperation, there is simply no telling what might have happened to her health.

Mrs. WILLIAMS. It would have been a problem, I am sure.

Chairman HEINZ. And so, with all due respects to Mr. Badgero, who was greatly inconvenienced, apart from the shock of finding out that he was not in as good health as he thought he was in, who was proceeded against in an outrageous manner, this could have, in addition, threatened the health of someone who is living—I mean, it is bad enough to tell someone who is alive that they are dead, but it is worse to make someone who is alive, dead or injure them more seriously.

I just want to ask you this one question. How long did it take in its entirety to correct to the proper date the date of your father's death? How long did it take to make that little change from where it should have been, March 11, to—I guess they gave you two dates in February—February 11 was one, and what was the other?

Mrs. WILLIAMS. February 20.

Chairman HEINZ. How long did it take to move, in the extreme example, 28 days?

Mrs. WILLIAMS. To the time the social security office called me and told me the date of death was correct, a total of 17 months.

Chairman HEINZ. Seventeen months to move 28 days.

Does that seem reasonable?

Mrs. WILLIAMS. No; it does not

Chairman HEINZ. I do not know of anybody who would disagree with you. I think it is shocking and outrageous.

Mr. Welch, you said in your testimony regarding Mr. Freeland that his nephew arranged for the agreement with GAO to settle the overpayment matter. Do you think that when Mr. Freeland received another overpayment notice in 1982, he was even aware that he had already paid the Social Security Administration back?

Mr. WELCH. No; I do not think he was. It could very well be because of his own condition, and it could very well be because he was not aware that his nephew had arranged it.

Chairman HEINZ. The reason I find your testimony compelling is that we know that there are millions of people who do not have people to look out for them, like Mrs. Williams had been looking out for her mother-in-law; who do not come back from the dead, like Mr. Badgero came back, to look out for himself. There are millions of people who have Alzheimer's disease, other degenerative diseases, who have other problems, and who do not have anybody other than someone like you, who works for a county, a regional legal services, or social service agency. It is clear that when this system makes a mistake, even if most of the time it does not make mistakes, and makes this mistake in social security's favor, which is the way the system appears to operate, that there are so many people who are not just helpless, but they do not even know that they are being taken advantage of by unintended, but nonetheless, errors that will pose serious problems.

You testified as to somebody who was supposed to get by somehow on $10 a month, and they were not even supposed to have that $10. Presumably, they just forgot to rake in the cost-of-living increase along with it.

How likely is it when Mr. Freeland did agree to sign those waivers that took away those social security checks—I guess it was July and August—that he would not have any money to live on?

Mr. WELCH. I think it was very unlikely. I am unsure—I do not think he has any type of bank account. I think that in speaking with his nephew after the fact, he got by with the small amount of food that he had in the house for the months of July and August, which amounted to basically storage-type foods, canned goods, things like that.

In fact, at one point in time, I asked him how he was going to survive here in the future if we did not get this straightened out, and he said, "Well, I'll just drink a lot of coffee." I do not know whether when he said that, he was in one of his states of lucidity, or whether he was not making any sense at all, or whether he was being very sarcastic with me, but that was his statement.

Chairman HEINZ. And you are not just sure how he did get through those 2 months, then?

Mr. WELCH. No; I am not. I am amazed, to be honest with you.

Chairman HEINZ. Mr. Nieberline, you worked for 2 months, and you only had to pay $45 for that privilege.

Mr. NIEBERLINE. Right.

Chairman HEINZ. It seems to me that somebody, including the Social Security Administration, got a very good deal out of it. You paid, in effect, $45 to work, and in addition, social security got $904 back——

Mr. NIEBERLINE. Plus social security tax on the wages.

Chairman HEINZ. That is right. That was a very good deal indeed.

Despite all your questions about what you could earn or not earn, nobody ever told you about the quirk in the law on earnings during the first year, the one-twelfth rule; is that correct?

Mr NIEBERLINE. Right.

Chairman HEINZ. And yet you called the same number twice.

Mr. NIEBERLINE. Twice.

Chairman HEINZ. Presumably, you got two different people—I do not know.

Mr. NIEBERLINE. Right, two different people.

Chairman HEINZ. Two different people, and they both gave you the same bad information.

Then, after being the victim of that repeated misinformation, you asked for a personal conference, to sit down and resolve the problem face to face with someone from the Social Security Administration, and you had that conference quite a while ago.

Just to state it again for the record, because I think we all find it shocking, what was the clear and unambiguous conclusion that the Social Security Administration arrived at as a result of that personal conference?

Mr. NIEBERLINE. The gentleman we had the personal conference with had his mind made up before we sat at the table to have the conference; he admitted that his mind was made up, negative in my case. And I was led to believe that the personal conference would be with a person who had some authority who could make a determination in the case, could settle the case. It did not turn out

that way. It turned out to be a supervisor of the clerical force at the Glen Burnie office, the branch office.

Chairman HEINZ. Mr. Nieberline, you have a lengthy work history, and you have contributed to social security for many years.

Mr. NIEBERLINE. Right.

Chairman HEINZ. For how many years have you been contributing to social security?

Mr. NIEBERLINE. Since its beginning.

Chairman HEINZ. Since it began. You are a World War II veteran?

Mr. NIEBERLINE. Right.

Chairman HEINZ. By looking at you, you have worked hard, and I suspect you have always been on the right side of the law.

Mr. NIEBERLINE. Right.

Chairman HEINZ. You do not have a criminal record, do you?

Mr. NIEBERLINE. No, sir.

Chairman HEINZ. Well, you were treated like a criminal by the Social Security Administration.

Mr. NIEBERLINE. Yes; I never thought of it that way.

Chairman HEINZ. Well, when someone comes in and decides you are guilty before you are proven guilty, particularly when you are innocent, I have to assume that somebody thinks you have a criminal record. But in fact, you have been paying into the social security system, you have been a law-abiding citizen, and here, the Social Security Administration gives you the wrong information and penalizes you for having done so, and in spite of your best efforts to straighten it out, you still have not been able to straighten it out with them

Mr. NIEBERLINE. Right.

Chairman HEINZ. And I can only apologize to you. There is simply no way we can excuse that kind of a problem. I am not saying that the Social Security Administration is an empire of evil. They are good people, but the mistakes they make are absolutely inexplicable.

Mr. NIEBERLINE. They are kind of dictatorial, too, I think, in my opinion.

Chairman HEINZ. That, too.

I would say to Senator Percy, who I guess heard your statement, that after you cataloged the seven or eight things the Social Security Administration had done to Mr. Nieberline, that I just could not resist asking if there were any other problems he had, because these seemed like just a start. I hope, though, that they are just the finish.

Let me turn to my friend and colleague, Senator Percy, for questions he may have to our witnesses.

Senator PERCY. Thank you, Mr. Chairman.

I just have two very simple questions. Because the topic of this hearing deals with whether or not the social security system is serving the public interest, the greatest concern that I have mentioned that we have is whether or not the system will really pay out as promised.

The four of you have done a lot more thinking in recent days about the whole system, preparing for your testimony, and have probably talked to a lot of people. Do you feel that, in general, we

have resolved that nagging doubt that the social security system might go bankrupt and would not have the money to pay out the benefits it has promised? Do you feel that my experience in Illinois is generally the same across the country, in your part of the country, or is that an exception? Are there still concerns and doubts as to whether the social security system is solvent and will pay all the benefits as promised?

Would any of you want to volunteer to address on that?

Mr. NIEBERLINE. I would not know.

Senator PERCY. Mr. Welch.

Mr. WELCH. Speaking with people generally, I think they feel that something has been done, and the thing that has been done is positive. Whether or not they have gone so far as to say that the system has been fixed, I cannot really state.

Senator PERCY. Mrs. Williams.

Mrs. WILLIAMS. I think most of the people feel it will be solvent.

Senator PERCY. Thank you.

Mr. Badgero.

Mr. BADGERO. That has been my experience, too, Senator. I have talked to some people who seemed concerned, very few. Most of them, like myself, think that social security will continue.

Senator PERCY. Thank you.

The only other question I have relates to the sensitivity that I feel older people have as to how they are treated. Even though you have had difficult problems—battling through the bureaucracy, for example, have you been handled, or have members of your family been handled with courtesy and dignity? Did you feel that you were being handled with the kind of compassion that you feel someone who has a problem and who goes to his government to help solve it should receive? Did you find the civil servants sympathetic, helpful, and trying to do something to assist you?

Perhaps you covered that in the testimony that I did not hear, but it bears repeating, I think.

Would any of you care to volunteer to address this question?

Mr. BADGERO. In my own particular case, Senator, the local office was extremely helpful, the local social security office in Columbus, Ohio. They were very concerned about it. We, of course, were out of state, but my daughter contacted them, and the lady there expressed her regrets that it had happened and that she would get on it immediately.

Senator PERCY. Mrs. Williams.

Mrs. WILLIAMS. At our local office, people were very cooperative with us. They tried, but we just could not get anything resolved on our own. But they did cooperate.

Senator PERCY. Thank you.

Mr. Welch.

Mr. WELCH. The local social security office that I deal with in Carlisle, Pa., has always cooperated with me. I have heard tales otherwise, though, from clients.

Senator PERCY. Thank you very much.

Chairman HEINZ. Mr. Nieberline has a different opinion, I think.

Mr. NIEBERLINE. I did not quite understand the question. I think it pertained to whether or not the local office cooperated.

Senator PERCY. The courtesy with which you were handled.

Mr. NIEBERLINE. Yes, yes.

Senator PERCY. Even though they have not revolved the problem, were you handled courteously?

Mr. NIEBERLINE. They were courteous, yes.

Senator PERCY. At least you felt that they were sympathetic to the problem?

Mr. NIEBERLINE. Right, they were courteous.

Senator PERCY. We do get a lot of complaints in this area. The Immigration Service is particularly noteworthy in that respect sometimes, of discourtesy to American citizens who have problems, which is just outrageous.

My own experience in my years with social security is that they are very sympathetic, and I think they deserve accolades for that. They ought to know that we are aware of it, we observe it, and would question our witnesses on that aspect of their work.

Thank you very much.

Chairman HEINZ. Senator Percy, thank you. Before you came in, the Social Security Administrator, Commissioner McSteen, identified the 9 feet of manuals here. Were you or I to be the district office manager of the Chicago or Springfield, Ill., office or the Pittsburgh district office, all we would have to do is know the contents of those 9 feet of books, and when we had a problem with our regional office, find somebody else who was similarly well-versed to work the problem out.

But the problem is not, as I know you know, the lack of courtesy or the wanting to help at the field or regional office level. It appears that the problem is that the system is extraordinarily complicated, and as Commissioner McSteen testified to, there are a number of antiquated systems, software, computer central processing units, storage systems, telecommunications systems, and third, I think she was quite candid and frank that there are certain management issues and training issues that have to be resolved before we can get the system to operate. I guess I would score the social security system as trying to help to the best of its ability, but having grave difficulties in being able to do it. That does not, of course, go for what I think, although it may be legal, is a totally immoral way for the Treasury Department to proceed against absolutely helpless people such as Mr. Badgero.

If you have any comment, Mr. Badgero——

Mr. BADGERO. Yes, Senator, I do. I ran into a series of statements from various people, banks, that are inconceivable to me that it could possibly happen, and the major question which I wrote Senator Glenn on was, did Congress authorize the Treasury Department, that is, Social Security, to act in the manner that they have, going in and removing money without due process.

When I went to the banks, I came up with a whole new set of things. Bank employees at two different banks told me that the money is taken out of a person's account on a simple letterhead from the Treasury Department. I said, "Well, if this is the case, then you must have a cover authorization that says any letter from the Treasury Department will be accepted as the law." Then I found out another thing. They told me that if I did not have enough money in my account to pay back, that they could take out to pay back, the bank itself is responsible. Now, I fail to see how

the bank could be responsible for my debt, so-called. I asked them, "Why didn't you notify me?" The first indication we had was in our monthly statement for the month of February, and there was a notation in there of a debit to social security for the amount of $1,392, which, as I said, was assumed to be the November and December payments.

"Why didn't you notify me?"

They said, "We are sorry, we have too many customers. We cannot do that."

It is just inconceivable to me that these things can happen in the way that they are happening.

Chairman HEINZ. It is my view that was not the way that Congress intended it. I can tell you what the Treasury Department's position is. I think it is an indefensible position. Their position is that if you agree to direct deposit of your checks, and if they consider that they have made an erroneous—not an overpayment, but an erroneous payment—that they can go in and get that money, if they assume you are dead. But if you or your wife deposit a Treasury check to your account, they cannot take it out. If they consider it an overpayment, whether it is direct or indirect through you, they cannot take it out, and if they think you are alive, they cannot take it out. So they really have to work hard to take it directly out of your account. But by the way, that has happened this year to some 331,000 living or dead recipients of Federal benefits, and it is a huge number, and frankly, we do not know, and we have been unable to find out so far, how many people are in your, or are in similar circumstances. The only thing we know is that when Social Security makes a mistake, it is much more likely to be against the social security beneficiary, in favor of Social Security, preponderantly, and so we are left with the assumption that there are a lot of people—we do not know whether it is 5,000, 10,000, 50,000, out of that 331,000 this year—who have, without knowing it, been taken to the cleaners by somebody who they are supposed to control, namely, the Government that they elect to serve them.

Mr. BADGERO. I sincerely hope, Senator, that from the publicity that this has received on this immediate withdrawal, that it will prevent it from happening to other people.

Chairman HEINZ. Well, we certainly hope so.

Senator Percy, do you have any concluding questions or comments?

Senator PERCY. No, but I thank the panel very much indeed.

Chairman HEINZ. All right.

Thank you all very much. We appreciate the journeys you have all made, even if it is from Glen Burnie.

Thank you very much.

Our next witness is Joseph Delfico, Associate Director of the Human Resources Division, General Accounting Office.

Mr. Delfico, as you are seating yourself, I note that you have a very comprehensive and lengthy opening statement. I understand that you are prepared to give us an abbreviated oral statement, so without objection, your entire statement will be a part of the record.[1]

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[1] See page 38.

STATEMENT OF JOSEPH F. DELFICO, WASHINGTON, D.C., ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY ROBERT T. ROSENSTEEL, HUMAN RESOURCES DIVISION; AND DAVID F. KENT, INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION

Mr. DELFICO. Thank you, Mr. Chairman.

Accompanying me today at the table is Robert Rosensteel, from our Human Resources Division, and David Kent, from our Information Management and Technology Division.

Mr. Chairman and members of the committee, we are here today to discuss the results of the work we performed at your request. Our work considered the Social Security Administration's operational activities from two perspectives, first, its performance in carrying out its basic, day-to-day program operations, with a focus on the computer system, and second, its ability to implement newly legislated program changes in a consistently changing environment

We found that although SSA's ongoing systems modernization program is a key element in improving service to its beneficiaries, that project alone is not a panacea. Other factors have also affected service delivery.

Therefore, we aimed part of our work for this committee at developing an overview of how problems not related to the ADP system, combine with system problems to hinder SSA operations.

In assessing SSA's basic, day-to-day operations, we concentrated on selecting agency operations supporting the retirement and survivors' insurance [RSI] program, because of its magnitude and significance. In fiscal year 1984, about $162 billion was spent in providing RSI benefits to about 32.6 million beneficiaries.

Specifically, we looked at SSA's performance in providing claims, postentitlement, and payment services to a sample of individual RSI beneficiaries over an extended time. We selected 208 RSI cases nationally, involving primary beneficiaries who had become 68 years old in October 1982, and were receiving retirement benefits at the time we selected our sample. These beneficiaries received an average of about $21,000 over a time period of about 55 months. We then asked SSA to review these sample cases for errors, using their established procedures.

About 41 percent of our sample cases had at least one initial claim, postentitlement, or payment error. Further, about 18 percent of the sample cases had payment errors. These payment errors, both over and under payments, ranged from less than $1 to over $4,800.

Although we do not know precisely what caused the errors, some of them can be attributed to factors in SSA's operational environment; for example, the frequency with which laws underlying the social security program change, the extreme procedural complexity in the program, and problems in disseminating timely and accurate operating instructions, all contribute to these errors.

Other errors can be attributed to the use of manual rather than automated processing, a condition that results in using outdated ADP systems and a short timeframe established for implementing legislation.

New legislative mandates, which require SSA to take certain actions by a specific date, have caused the agency to spread its ADP systems resources among competing priorities. The result has been recurring competition for ADP resources, since system resources used to implement new legislation have often been the same resources needed to carry out existing day-to-day program operations and much needed systems improvement activities.

During 1980–81, the retirement, survivors, and disability insurance, and supplemental security income—SSI—programs were extensively changed by the enactment of the Disability Amendments of 1980 and the Omnibus Reconciliation Act of 1981. Only 4 out of 30 provisions in these 2 laws were implemented by the legislative effective date with computer support. This does not mean, however, that the legislative mandates are not carried out. Where limited systems capability precluded automatic processing, SSA implemented the provisions manually until the necessary system modifications could be made.

However, manual processing is more error prone and labor intensive than automated processing. The computer system changes needed to automate provisions in the Disability Amendments of 1980 and the Omnibus Reconciliation Act of 1981 were so far reaching that virtually every title II and title XVI processing routine was affected. The substantial work involved in making changes in the computer system can best be illustrated by SSA's efforts to implement the cost-of-living increase in 1981, a change which was considered pretty simple. This required 20,000 hours of computer processing day and night over 4 months, and affected all programs in the title II initial claims system and the title II postentitlement systems that check benefit rates for validity—about 600 programs in all. From 1977 to 1982, 66 bills were enacted that contained over 300 provisions that required change. Operating instructions are affected by these changes. The operating instructions needed to adminster various social security programs are contained in SSA's Program Operations Manual System, as well as other manuals.

Field office personnel must maintain and reference these instruction materials to do their jobs correctly. However, these offices have been inundated by a large number of instructions, in part because of the short time frames given for implementing legislation and the complexities of the new law. If employees are pressed for time and do not file the instructions properly, operating manuals are not up to date, and operating with outdated procedures could lead to processing errors.

Although many of SSA's problems in implementing legislation are related to deficiencies or limitations in the automated systems that support the program, other factors have also contributed to this difficulty over the past decade. I will briefly list them for you.

There have been, as you noted earlier, frequent changes in top management. SSA has had eight Commissioners or Acting Commissioners over the past 10 years, all of whom have naturally brought their own distinctive management style and philosophy to the position. SSA has also undergone four major reorganizations since 1975. Though these actions may have initiated needed changes, stability and continuity have been affected.

The Social Security Administration has also taken on many new programs. SSA has had to respond to frequent legislative changes which have substantially modified the original Social Security Act and considerably expanded the agency's mission. Today, SSA is a multifaceted organization, administering social insurance and social welfare programs. Administering diverse programs such as SSI, AFDC, and part of the black lung program, with different rules and procedures, can tax the ability of field offices, as well as agency headquarters and program service centers.

Other agencies also depend on SSA for assistance. In addition to carrying out its own mission and responsibilities, SSA provides substantial support for programs sponsored and administered by other agencies, which puts demand on its ADP systems and resources. The basic social security program has also changed. Since 1950, the social security program has substantially expanded. When social security began, only retirement benefits were paid. Today, over 21 general types of benefits, including early retirement and benefits for widows and children, make it increasingly more difficult to administer.

Litigation has also increased. Court activities increased substantially during the 5-year period from fiscal year 1978 to fiscal year 1982. From 1978 to 1982, new cases filed increased 42 percent from around 8,000 to about 12,000. Disability cases accounted for most of these increases.

Public inquiries have also increased. Public inquiries also increase during the period of concern about a program. Such factors as legislative proposals, enactment of laws, the comments of a President, news stories, and benefit changes, all increase public interest and inquiries.

Staffing problems have increased also. Staffing problems have to some degree impeded SSA's performance, particularly as legislation alters or expands its mission and responsibilities. Hiring freezes and other employment limitations have prevented SSA from filling its budgeted positions. Recruiting problems also hamper SSA's ability to fill positions.

In summary, Mr. Chairman, considering the magnitude and complexity of SSA's programs and the management tasks involved, it is reasonable to expect some administrative problems. However, it should be recognized that events external to the agency over which SSA has little control have contributed to the problems discussed. These factors must be taken into consideration in any assessment of SSA's overall performance in serving the public.

SSA's efforts in implementing its ongoing ADP systems modernization plan are critical to providing the agency with the assistance and support needed to insure better public service. We will be closely monitoring SMP progress through the life of the project, and we will be keeping the Congress informed of its status.

Mr. Chairman, that concludes my prepared remarks. We will be glad to answer any questions that you or other members may have.

[The prepared statement of Mr. Delfico follows:]

PREPARED STATEMENT OF JOSEPH F. DELFICO

Mr. Chairman and members of the committee, we are here today to discuss the results of audit work we performed at your request.

Our work considered the Social Security Administration's (SSA) operational activities from two perspectives: (1) Its performance in carrying out basic day-to-day program operations, including benefit payment activities, and (2) its ability to implement newly legislated program changes, especially those affecting large groups of program beneficiaries. We found that SSA continues to encounter problems in both of these operational areas and that elements of the agency's operating environment contribute substantially to these problems.

Although SSA's ongoing systems modernization program is a key element in improving service to its beneficiaries, that project is not directly aimed at addressing non-ADP problems. We aimed part of our review work for this committee at developing an overview of how non-ADP problems combine with systems problems to hinder SSA operations. We have not, however, attempted to quantify the relative importance of non-ADP environmental factors or fully assess their interrelationships. Further future analyses will be required in these non-ADP areas before these relationships are clear.

Before discussing these issues further, I would briefly like to describe the agency's program responsibilities and the types of services it provides. SSA outlays for fiscal year 1984 are estimated to be $199.3 billion, or about 24 percent of the total Federal budget. Of the $199.3 billion, about $162.2 billion will be spent in providing retirement and survivors insurance (RSI) benefits to about 32.6 million beneficiaries, and about $18.2 billion will be spent in providing disability insurance benefits to about 3.8 million disabled recipients. This represents about 91 percent of SSA's 1984 estimated budget. The remaining $18.9 billion is to be spent on cash assistance and other programs providing aid and services to about 14.3 million recipients. In administering these programs, SSA provides many services which fall into the following eight general categories: (1) Assignment and maintenance of social security numbers, (2) earnings records maintenance, (3) claims processing, (4) postentitlement event processing, (5) payments and settlements, (6) hearings and appeals, (7) services for/from other agencies, and (8) general inquiries and information. SSA's basic day-to-day operations are aimed at providing these services.

SSA ERRORS IN CARRYING OUT BASIC DAY-TO-DAY PROGRAM OPERATIONS

In assessing SSA's basic day-to-day operations, we concentrated on selected agency operations supporting the RSI program because of that program's magnitude and significance. Specifically, we looked at SSA's performance in providing claims, postentitlement, and payment services to a sample of individual RSI beneficiaries over an extended time. By sampling and reviewing RSI cases involving persons who had been on the rolls for several years, we sought to determine, from data in the case file, the accuracy of that data, the effect of erroneous data on the accuracy of payments, and whether notices were properly sent to beneficiaries. While the results of our analysis are only one indication of the quality of SSA's program operations and do not reflect other aspects of SSA's service to beneficiaries, such as responsiveness to inquiries and the timeliness of payments, we believe they are a good indicator. SSA uses similar methods in regularly assessing its own performance.

We selected 208 RSI cases nationally involving primary beneficiaries who became 68 years old in October 1982, and were receiving retirement benefits at the time of our sample selection. These beneficiaries had received an average of about $21,000 over an average of about 55 months. Working with our staff, SSA reviewed all agency actions taken on each case in our sample, including the accuracy of all benefits paid, and determined the frequency of SSA-caused errors. This detailed case file review showed that processing errors occurred rather frequently. About 41 percent of our sample cases had at least one initial claim, postentitlement, or payment error. Further, about 18 percent of the sample cases had payment errors. These payment errors (both overpayments and underpayments) ranged from less than $1 to over $4,800.

About 32 percent of our sample cases contained errors in documentation or notices to beneficiaries, and almost one-third of these cases also had payment errors. The documentation and notice errors varied in significance. Some could be considered minor, such as a district office not certifying a copy of a claimant's birth certificate. Others, however, were more serious and could have caused major difficulties for individual beneficiaries.

The results from the review of our sample cases differ considerably from statistics SSA routinely reports on its own performance in processing RSI claims, maintaining beneficiaries' records, and making monthly RSI payments. Routine SSA studies of agency performance in each of these three areas report considerably lower error rates than do our sample results. The differences between the RSI processing error

statistics SSA routinely reports and those generated by its review of our sample cases are primarily due to differences in the scope of case actions and time periods reviewed. The review of our sample cases covered all claims actions, postentitlement transactions, and payments associated with selected accounts over an extended period averaging about 55 months. On the other hand, SSA's routine RSI processing statistics are based on reviews of samples of individual claims, postentitlement transactions, and/or payments that occurred during a given 6-month period.

We are not questioning the accuracy of these statistics or SSA's methodology in routinely reviewing RSI payments and transaction processing operations. We fuly support SSA's objecti e of using these routine reviews to identify operational problems and areas needing processing improvements. Nevertheless, we believe that the review results from our sample cases provide a valuable supplement to the information SSA has routinely developed on RSI payments, claims, and postentitlement processing. Because these results are based on all payments and transactions on selected accounts over a fairly long period, we believe they reasonably reflect the quality of one key element of the service SSA provides over time to its RSI beneficiaries.

Although we do not know precisely what caused the errors discussed above, some of them can be attributed to factors in SSA's operational environment. For example, the frequency with which the laws underlying the social security programs change, the extreme procedural complexity in the programs, and the problems in disseminating timely and accurate operating instructions all contribute to errors.

Before turning specifically to SSA's difficulties in implementing newly legislated program changes, I would like to mention briefly the connections between SSA'a day-to-day operations and its efforts to implements legislation. First, once legislation has been implemented, the agency activities associated with continuing to carry out its requirements become, in essence, an additional element of day-to-day operations. Further, SSA's efforts to implement legislative changes while maintaining existing day-to-day operations sometimes adversely affect both objectives. For example, new legislative mandates which require SSA to take certain actions by a specific date have caused the agency to spread its ADP systems resources among competing priorities. The result has been recurring competition for ADP resources, since systems resources used to implement new legislation have often been the same resources needed to carry out existing day-to-day program operations and much needed systems improvement activities.[1]

SSA'S DIFFICULTIES IN IMPLEMENTING NEWLY LEGISLATED PROGRAM CHANGES

During 1980–81, the retirement, survivors, and disability insurance, and supplemental security income (SSI) programs were extensively changed by the enactment of the Disability Amendments of 1980 (Public Law 96-265) and the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).[2] Only 4 out of the 30 provisions in these two laws were implemented by their legislative effective date with computer support. This does not mean that the legislative mandates were not carried out. Where limited systems capability precludes automated processing, SSA implements the provision manually until the necessary systems modifications can be made. The rounding of social security payments is the only exception; no manual process are feasible. It was implemented 9 months after the effective date. Some provisions still have not been automated or are only partially automated. The operational fallout associated with some provisions also requires systems enhancements to achieve a more acceptable level of automated processing.

The effective use of ADP technology is essential to the operations of SSA. It is only through the use of ADP technology that SSA can carry out its legislative mandate, insuring that not only those entitled to benefits receive them and that such payments are correct and timely, but that operating costs are kept to a minimum. Otherwise, manual processing is required which is labor intensive and more error prone. The work processed manually has been increasing at SSA.

SSA's ADP problems have caused the agency to support its operations with manual processing. Certain non-ADP factors, some of which are largely outside SSA's control, also contribute to SSA's difficulty in automating new legislative requirements. These factors will be discussed later.

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[1] Inadequate systems resources is one of many ADP systems deficiencies at SSA upon which GAO has reported in recent years. An overview of SSA's ADP problems, including the results of review work GAO performed for this committee concerning weaknesses in the computerized RSI system, is presented in attachments I and II to this statement.

[2] Attachment III to this statement discusses the impact of the SSI-offset, rounding, and student legislative provisions on field office operations.

The computer systems changes needed to automate those provisions in the Disability Amendments of 1980 and the Omnibus Budget Reconciliation Act of 1981 were so far reaching that virtually every title II and title XVI processing routine was affected. For example, the rounding of social security payments to the lowest whole dollar had a substantial impact on the title II automated operations. Most of the claims and postentitlement computer programs, as well as the interface computer programs with the SSI and Railroad Retirement Board systems required software changes. Rounding also caused software changes in all programs that interface with the master beneficiary record (MBR) (See attachment II).

The substantial work involved in making computer systems changes can best be illustrated by SSA's efforts in implementing the benefit cost-of-living increase in 1981, a change SSA considered simple. This rate change required 20,000 hours of computer processing, day and night, over 4 months and affected all programs in the title II initial claims systems and all title II postentitlement systems that check benefit rates for validity—about 600 programs.

MANY OF SSA'S PROBLEMS CAN BE ATTRIBUTED TO FACTORS IN SSA'S OPERATING ENVIRONMENT

Although many of SSA's problems in implementing legislation are related to the deficiencies or limitations in the automated systems that support its programs, other factors contribute substantially to its difficulty. Some problems stem from the complexity of a legislative mandate, the work performed in support of other Federal agencies, staffing shortages, short effective dates in law, and operational limitations resulting from judicial mandates. Some of these factors require systems support and are largely outside SSA's control. These factors together with SSA's systems problems make up SSA's operating environment and need to be considered in assessing SSA's performance in implementing legislation.

Another important set of issues affect SSA's operational performance. These issues involve the agency's organization and management. SSA has had eight Commissioners or Acting Commissioners over the past 10 years, all of whom brought their own distinctive management style and philosophy to the position. SSA has also undergone four major reorganizations since 1975 affecting both program and management responsibility. Organizational instability and discontinuity in leadership can limit SSA's ability to achieve its objectives. The ADP systems problems are largely due to the lack of adequate attention to these matters by a succession of permanent and acting Commissioners and the constantly changing management priorities and strategies.

Our analysis focused on exploring some of the key factors that make up SSA's operating environment. This is not to say that the organization and management problems are not significant. Considerable publicity has been directed to those concerns; but less attention has been directed to identifying the factors in SSA's operating environment which affect its performance. The factors discussed below are not all-inclusive or in order of priority. Notwithstanding SSA's systems problems, which contribute to SSA's difficulty in performing its operational mission, we did not attempt to quantify the relative importance of any one factor.

SSA's Changing Mission

SSA has had frequent changes in program direction and focus and workload expansion. SSA had to respond to frequent legislative changes which have substantially modified the original Social Security Act and considerably expanded the agency's mission. Today, SSA is a multifaceted organization, administering social insurance and social welfare programs as well as operational systems that support other agencies' programs. Administering diverse programs with different rules and procedures can tax the ability of field offices as well as agency headquarters and program service centers staff to effectively carry out the agency's basic mission.

In addition to the retirement, survivors, and disability insurance programs, SSA has been given responsibility for the following programs: Supplemental security income, aid to families with dependent children, child support enforcement, emergency assistance, low-income energy assistance, refugee assistance, assistance to repatriated U.S. nationals, and part of the black lung program. SSA administered the medicare program from 1965 until its transfer to the Health Care Financing Administration (HCFA) in 1977.

In addition to carrying out its own mission and responsibilities, SSA provides substantial support to programs sponsored and administered by other agencies, which puts demands on its ADP systems and resources. SSA is frequently called on to perform tasks supplementary to its social security responsibility as proposals to use its field office network and ADP telecommunications capacity are adopted. This in-

cludes such diverse activities as taking black lung and medicare applications, processing annual reports of earnings and providing these data to the IRS for tax administration, and furnishing the Selective Service with information on individuals required to register for the draft. SSA operates ADP systems in the health insurance area in order to fulfill its commitments to HCFA. In fact, the vast majority of health insurance data is transmitted over SSA's telecommunications systems.

Some of the work SSA does for others is directly reimbursed by the other party; often such work is not directly reimbursable. SSA incurred about $14.5 million of reimbursable costs during fiscal year 1981 for work performed for others under agreements providing for direct reimbursement. A breakdown of work years devoted to the work and the reimbursable costs for doing it for fiscal years 1978–82 are shown in the following tables:

OBLIGATIONS FOR REIMBURSABLE ACTIVITIES

[In thousands]

	Fiscal year—				
	1978	1979	1980	1981	1982
Earnings requests:					
Pension	0	$3,400	$3,379	$4,119	$3,311
Nonpension	0	839	958	809	733
Food stamps	0	0	2,245	2,517	2,299
Black lung	$2,274	4,196	1,852	1,104	343
Medicaid eligibility	450	506	774	3,575	3,583
Pension reform	0	140	164	214	574
Information for private parties	2,422	616	89	128	187
Information for public agencies	1,561	1,559	3,204	2,066	474
Total	6,707	11,256	12,665	14,532	11,504

Source: Office of Financial Resources, Office of Management, Budget, and Personnel.

WORK YEARS FOR REIMBURSABLE ACTIVITIES

	Fiscal year—				
	1978	1979	1980	1981	1982
Earnings requests:					
Pension	0	190	200	202	136
Nonpension	0	44	46	33	30
Food stamps	0	0	73	91	77
Black lung	109	189	93	49	12
Medicaid eligibility	20	20	32	22	15
Pension reform	0	5	6	9	23
Information for private parties	145	24	8	6	6
Information for public agencies	71	80	32	80	21
Total	345	552	490	492	320

Source: Office of Financial Resources, Office of Management, Budget, and Personnel.

SSA also performs work for agencies for which it receives payment through adjustment to its administrative expenses account or the social security trust funds. In fiscal year 1981, this work cost about $107 million and required 3,800 workyears. The largest portion of this work is performed for HCFA's medicare program. SSA budgets directly for these costs in its limitation on administration expenses accounts and draws funds to cover these costs from the medicare trust funds. The IRS share of processing costs for annual wage reporting is recovered through a reduction in the Department of the Treasury's charges to the social security trust funds for fund-related administrative costs, such as preparing and mailing social security checks.

SSA also participates in various data exchange activities with Federal and State agencies to help those agencies administer their programs.

Frequent Legislative Changes Have Complicated Program Administration

Since 1950, the social security program has substantially expanded. As the scope of the social security program has broadened, it has become increasingly complicated due to: (1) The addition of major new benefit categories with differing eligibility requirements, (2) increased complexities in benefit computations, and (3) the adoption of provisions in law extending coverage to various occupational groups. When social security began, only retirement benefits were paid. Today, there are over 21 general types of benefits, including early retirement, widow, and children to name a few. Benefit rules have also been expanded and eligibility has been liberalized.

Since the enactment of the social security program, there have been 92 changes in the monthly benefit calculation and 26 changes in the earnings test. From 1977 to 1982, over 6,200 bills were introduced relating in some way to the social security programs. During these 6 years, 66 bills were enacted that contained about 300 provisions that directly affect SSA's administration of the RSDI, AFDC, SSI, and black lung programs.

Furthermore, Federal law defers to State law in some instances, which also complicates administration. For example, the requirements for entitlements to children's insurance benefits are based on the various States' laws which define child-parent relationships. According to an SSA official, the exceptions, quirks, and loopholes in State law sometimes make determining child-parent relationship difficult. In addition, according to an SSA official, several thousand regional attorney opinions impact on adjudication in the more complex cases.

The relationships among SSA programs and between those programs and other Federal agency programs also complicate program administration. For instance, the amount of SSI benefits paid to a recipient is affected by the amount of title II benefits received. Social security disability insurance benefits can be reduced or offset by the receipt of workers' compensation benefits and black lung benefits.

Litigation Workload Affects SSA Operations

Although the number of court cases requiring changes in SSA policy or procedures is not known, the courts do make rulings that affect SSA operations. Compliance with such rulings can be costly and time consuming. Implementation of a court ruling gets high priority. Cases are expedited because delays in carrying out court orders can lead to contempt-of-court situations.

Court activity increased substantially during the 5-year period from fiscal years 1978 to 1982. The following table shows SSA's court activity for fiscal year 1982:

LITIGATION ACTIVITY, FISCAL YEAR 1982

	New cases	Pending	Reversals	Reversals as a percent of final orders
Disability	11,632	21,707	1,081	20
RSI	287	750	45	28
SSI	98	248	10	34
Other	28	992	36	14
Total	12,045	23,697	1,172	20

From 1978 to 1982 new cases filed increased 44 percent, from 8,351 to 12,045. Disability cases accounted for most of this increase. SSA attributes this increase partly to the 1980 Disability Amendments, particularly the requirement for timely continuing disability investigations. Cases pending during this period increased 30 percent—from 18,276 to 23,697. Of the cases decided, 20 percent went against SSA in 1982, compared to 13 percent in 1978. In 1982, the reversal rate for RSI cases was 28 percent; for SSI cases, 34 percent; and for disability cases, 20 percent; and for all other cases, 14 percent. According to SSA, the trend in the litigation volume is for increased court activity, which will put greater work pressures on SSA, HHS, and the court system.

Although SSA does not document the aggregate costs of implementing adverse decisions, many resources are involved in compliance, incuding programer and systems time, district office and program service center time, the various policy offices time, as well as staff time in the Office of Financial Resources, the Office of Regulations, and the Office of General Counsel.

Information compiled by SSA's Office of Financial Resources indicates the work-year impact of selected major court decisions between fiscal years 1977 and 1982. A single case, concerning husbands' and widowers' claims and involving about 300,000 man, accounted for the entire workload from 1977 through 1979—995 work years over those 3 years with annual costs from 1980 on of 60 work years. The major case of the 1980 workload was a class action suit for people whose claims were denied before the vocational factor regulations went into effect. The settlement, which called for SSA to notify about 23,000 affected cases and allow them to reapply, had a one-time cost of 220 work years. The major case in 1981 workload data involved people denied husbands' benefits between August 6, 1973 and October 5, 1977, because they did not meet dependency requirements. SSA reviewed cases denied during that period and paid retroactive benefits in about 47,000 cases at a cost of 196 work years. Major cases pending before various courts could require over 1,600 work years for SSA to implement.

Inquiries' Impact on SSA Operations Hard to Assess

Inquiries come by mail or phone from the public as well as Members of Congress and their staffs. Topics include requests for earnings statements, benefit estimates, or program beneficiary information; reports of missing checks or overpayments; and questions about pending claims, reconsiderations, or postentitlement actions. Public inquiries increase during periods of concern about SSA due to such factors as legislative proposals, enactment of laws, President's comments, news stories, and benefit changes. A lack of data makes it difficult to assess the impact of inquiries on SSA's workload.

Data on Volume of Inquiries Is Not Precise

The following table shows the number of public inquiry receipts for SSA's Office of Public Inquiry (OPI) for fiscal years 1978–82. Though there are limitations in these data because they are not all inclusive, the data demonstrates relative magnitudes.

OPI PUBLIC INQUIRY RECEIPTS

[In thousands]

Subject	Fiscal year—				
	1978	1979	1980	1981	1982
Disability insurance	153	52	139	30	36
Retirement and survivors insurance	37	17	19	27	29
Hearing and appeals	13	20	32	22	24
General and administrative	14	12	13	13	12
Supplemental security income	19	11	11	7	6
Welfare and AFDC	6	5	5	5	6
Change in the law	10	29	4	52	6
Other—medicare, Office of Child Support Enforcement	14	24	9	15	15
Total OPI receipts	266	170	232	171	134
Field congressionals	196	190	187	191	219

Disability insurance inquiries are generally the largest proportion, but in 1981 questions about changes in the law exceeded all other subjects. These inquiries focused on proposed social security changes (such as the minimum benefit provision), some of which were included in the Omnibus Budget Reconciliation Act of 1981. Congressional inquiries to the field offices exceeded total OPI inquiries in each of the 5 years.

OPI data include only a fraction of SSA headquarters inquiries. Data from the Office of Financial Resources indicates for the fiscal years 1978–82, OPI's inquiry work years are estimated to average about 6 percent of SSA-wide inquiry work years.

Inquiries Require SSA Resources

Inquiries can require SSA computer time and programer time and, consequently, may disrupt ongoing work. While measuring the volume of inquiries received is difficult, data from SSA's Office of Financial Resources indicate that an average of 3,000 work years was required to handle inquiries from fiscal years 1978 through

1982, with only an average of 186 work years being used in OPI. Over 2 million hours or 2.8 percent of district offices and Teleservice Center time was spent on public inquiries in fiscal year 1982. Other components also have inquiry-generated workloads.

Earnings-related inquiries can require considerable staff time. Handling the initial request for a statement of earnings is very time consuming. However, because of the unposted earnings problem, many inquiries disagree with the earnings statement and send a second inquiry. In dealing with this disagreement, SSA must review the inquirer's wage record. Any corrections to the record require up to 9 months to work through the SSA system and become part of the inquirer's history. During this time, the person is likely to inquire again or complain to his employer or Congressman, who will then inquire on the person's behalf. In this way, one simple earnings inquiry generates into a large workload. SSA does not have readily available data on the workload attributable to earnings inquiries or the volume of inquiries, so the impact of this activity on other SSA work is difficult to assess.

Staffing Problems Hinder SSA Performance

Staffing problems can impede SSA's performance, particularly as legislation alters or expands its mission and responsibility. Hiring freezes and other employment limitations have prevented SSA from filling its budgeted positions. Recruiting problems also hamper SSA's ability to fill positions.

Hiring Freezes and Employment Limitations Contribute to Staff Shortages

Both the Carter and Reagan administrations imposed governmentwide hiring freezes that affected SSA. In addition, further staff year reductions by HHS contributed to staffing levels below those anticipated in the budget. At the end of December 1981, as a result of the freezes and limits, SSA had not filled more than 1,800 of the 76,000 full-time permanent positions provided for in its 1981 budget estimate.

Furthermore, SSA staffing data indicate that the number of permanent positions filled at the end of the year is consistently less than the number allowed in the budget. In 3 of the 5 years from 1978 to 1982, the difference was over 4,000 positions. At least part of this difference is due to hiring freezes and HHS personnel initiatives.

Recruitment Problems Limit SSA Staffing Efforts

Recruitment problems also affect SSA efforts to fill available positions. The PACE exam [3] was removed as a means of building a register of entry level candidates from which SSA filled many of its claims representative positions. SSA was without a recruitment mechanism from January 1982 until September 1982. Although SSA was granted hiring authority in September 1982, its own freeze has limited its ability to fill claims representative positions. More of these positions are being filled through internal promotions of clerical and technical employees, people who generally have a lower educational background than those recruited through PACE. In fiscal year 1979, about 44 percent of the claims representative trainee positions were filled from external sources and 56 percent from internal sources. By the first quarter of fiscal year 1982, external hires represented only about one-third of the total.

According to SSA officials, most of the clerical and technical people that can handle the claims representatives' duties have been promoted. Furthermore, according to some SSA officials, the agency has problems competing with private industry for clerical and support staff to fill vacancies left by these promotions. Consequently, there are not only fewer people left to fill claims representative trainee positions, but also fewer clerical and technical staff.

Staffing Problems Affect SSA Performance

According to SSA documents and officials, employment policy and staffing problems of the past few years have hurt SSA performance.

The problems of filling claims representative positions have potential long-term consequences. Historically, most management positions were filled by people who advanced through the agency from the claims representative position. These people tended to be upwardly mobile and career oriented. The people filling these positions now, according to one official, tend to be less mobile and less career minded. As a result, the lack of external recruiting may hinder SSA in the future through a lack of management material.

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[3] The courts in 1981 ruled the PACE exam to be discriminatory.

Operating Instructions Hinder Field Office Operations

The operating instructions needed to administer various social security programs are contained in SSA's Program Operations Manual System (POMS) as well as other manuals. Instructional materials are transmitted to SSA's field offices in various ways, including POMS, supplements to POMS, central and regional office program circulars, regional office supplements to central office instructions, and central office teletypes. Field office personnel must maintain and reference these instructional materials to do their jobs correctly. However, these offices have been inundated by the large number and the poor quality of instructions. If users are pressed for time and do not file them promptly, operating manuals are not kept up to date. Operating with outdated procedures could then lead to processing errors.

SSA has taken a number of actions to improve the issuance of instructional materials to field offices. The agency's operating policies and procedures used to be contained in about 230 distinct manuals and handbooks. In 1978, SSA began to consolidate documents into one unified manual—POMS. When fully implemented, POMS is supposed to enhance SSA's ability to manage operations policy and procedures and improve the quality of instructions. However, some manuals were still not incorporated into POMS as of December 1982. When all manuals are converted, the POMS manual will contain about 26,000 pages.

Despite SSA's endeavors, field offices are still burdened by the volume and poor quality of instructions. During a 2-year period—July 1, 1980 through June 30, 1982—the following instructional materials were sent by SSA headquarters to its field offices.

2,060 instructions for inclusion in the operating manuals such as the POMS and postentitlement manuals. These established new policies and procedures, rewrote existing policies and procedures, or corrected, clarified, or rescinded existing policies and procedures.

368 teletype messages of instructions to be used until the printed instructions for inclusion in the operating manuals could be distributed.

572 memos which are used to clarify a policy issue.

136 program circulars which are used to explain a complex procedure.

SSA's regional offices also send instructional material to the field offices which supplement central office instructions. For the 18-month period—January 1, 1981 through June 30, 1982—there were 6,102 regional office supplements. These are issued to clarify headquarters policy and procedures, to provide guidelines for situations peculiar to local office needs, or explain vague central office instructions.

Reliance on Manual Processing

Largely because of SSA's ADP systems problems (see attachment I), the work processed manually at SSA has increased. Manual processing is needed to: (1) Handle the automated systems fallout, (2) compensate for longstanding systems limitations and the inability to automate some of the computations, (3) process work backlogs, and (4) handle the computations, (3) process work backlogs, and (4) handle the implementation of new legislation until the required systems modifications can be made. This manual processing is more error prone and labor intensive than automated processing. Moreover, the fact that more errors are involved leads to the expensive task of additional manual reprocessing to correct the errors.

In 1979, 7.8 million transactions were processed through through SSA's manual adjustment, credits, and awards process (MADCAP) (see attachment II). There were 7.56 million manual actions in 1980, 8.2 million in 1981, and 8.8 million in 1982.

According to a study by SSA's Office of Assessment, monthly benefit claims actions processed through MADCAP are more than three times as likely to have an end product error as those processed through the automated system. This study also asserts that the same distinction is true, to a lesser degree, for postentitlement work. For the period July through December 1982, the payment error rate for postentitlement work processed manually was 13.9 percent while for that processed by the computer, the rate was 4.8 percent. The following table compares, for the same July through December period, the payment error rates by major categories for that portion of the postentitlement workload processed manually and for that portion processed through the automated system:

[In percent]

Major postentitlement categories	Processed manually	Payment error rate	Computer processed	Payment error rate
Annual retirement test operations	25	22.3	75	10.7
Students	23	13.8	77	8.2
Recomputations	13	13.3	87	1.8
Death terminations	9	8.3	91	3.4
Representative payee	8	16.7	92	1.7
Internal corrections	96	7.4	4	0
Overpayments	20	11.1	80	6.6
Other	12	10.6	88	.3

The average dollar error per action has also increased. In 1980, the average dollar error for postentitlement actions processed manually was $42.73. For the period July through December 1982, the average dollar error per action for the same workload processed manually was $58.06.

Manual processing tends to be not only more error prone, but also less cost effective. According to SSA, manually processing the postentitlement actions requires thousands of work years annually and results in longer processing times. SSA estimates that savings associated with automation of the initial claims that are processed outside of the totally automated processes would be 144 work years annually.

Programable calculators and the computation and benefit tables are the tools used to help make manual calculations. Providing timely support by using programable calculators is not a minor task. It requires calculator programs to be rewritten, validated, and distributed to the field officers and program service centers and new procedures to be written for inclusion in the POMS manual.

SSA has for many years, used benefit and computation tables as a check on manual calculations, but the tables have now become so voluminous that their usefulness is questionable. Changes to the tables required by legislation have contributed to the problems. As a result of the 1981 legislation, SSA estimates that the table will double in size to about 19,000 pages. In fact, tables reflecting 1981 changes were late in being printed. The late issuance of the benefit and computation tables has resulted in their decreased use.

CONCLUSIONS AND OBSERVATONS

In previously discussing SSA's difficulties in carrying out its basic day-to-day program operations and in implementing newly legislated program changes, I referred to errors SSA has made in serving program beneficiaries. Considering the magnitude and complexity of SSA's programs and the management tasks they involve, it is reasonable to expect some administrative problems, and even relatively small problems can translate into large dollar amounts. It should be recognized that events external to the agency—over which SSA has little control—have contributed to the problems which hinder agency operations and program administration. These factors must be taken into consideration in any assessment of SSA's overall performance in serving the public.

SSA's efforts in implementing its ongoing ADP systems modification program (SMP) are critical to providing the agency with the systems support needed to insure better public service. This committee, as well as other committees in both the Senate and the House of Representatives, has recognized the critical nature of SMP and has experssed concern that it succeed. We will be closely monitoring SMP progress throughout the life of the project and keeping the Congress appraised of its status.

Mr. Chairman, this concludes my prepared remarks. We will be glad to answer any questions you or other members may have.

Attachments.

Attachment I

SSA's ADP Problems—A Major Hindrance to Quality Public Service

The quality of SSA's service to the public—especially its benefit payment activities—depends largely on how well the agency's ADP systems function in support of

daily SSA operations. During the past several years, much public attention has been focused on SSA's serious and wide-ranging ADP problems. These problems—which run the gamut from hardware, software, and data storage to system personnel and systems security—are well known and need not be detailed here. We have discussed the problems in depth in numerous reports since 1974, and SSA itself has acknowledged their severity, presenting detailed analyses of its ADP situation during numerous appearances before congressional committees as well as in documents describing its systems modernization program, or SMP, as it is commonly known.

Through SMP, SSA has resolved to improve its ADP environment. Thus, SMP's success in establishing reliable agency ADP systems is essential to improving the quality of SSA's service to the public. SMP is aimed not only at improving the quality of existing automated processing but also at automating manual processing operations as much as is practical. Our system review work for this committee—briefly summarized in the remainder of this attachment—addressed issues directly related to both of these objectives; thus, our results should be useful to SSA as it proceeds with its systems modernization program.

DEFICIENCIES IN THE RSI AUTOMATED PROCESSING SYSTEM

Although we have made numerous ADP evaluations at SSA since 1974, and have reviewed various aspects of the retirement and survivors insurance program, or RSI, we had not, prior to our work for this committee, reviewed in depth the automated processes supporting that program. In response to committee concerns that changes to major SSA software systems were being made without adequate management control and were resulting in errors and waste, we looked at key automated processes associated with RSI claims, postentitlement, and payment activities. We identified system inefficiencies, system limitations, and internal control weaknesses within these processes which have adversely affected service to individual RSI beneficiaries.[1] However, because of the magnitude and complexity of the system, the lack of documentation, and the substantial interaction of automated and manual processes, we were unable to quantify the extent to which these system deficiencies contribute to adverse beneficiary effects.

System Inefficiencies

The most obvious inefficiency we found in the automated RSI processing system concerns its reliance on two separate subsystems to update master beneficiary records.[2] This dual updating approach requires that all postentitlement transactions be processed twice, once by each subsystem. Obviously, this is uneconomical and very time consuming, especially in light of the magnitude of both the files (more than 80 million records) and the postentitlement transactions (about 49 million for fiscal year 1982).

In addition to the inefficiencies associated with those two updating subsystems, we noted that a major claims subsystem appears to contain duplicate edit and control routines.

System Limitations

Limitations within the automated RSI processes lead to delays in processing transactions, which, in turn, increase workload backlogs. Key RSI subsystems are not programed to process certain types of beneficiary transactions. For example, a major subsystem for processing initial claims cannot handle dual-entitlement cases (see attachment II, glossary) because it cannot interface automatically with the auxiliary benefiary's MBR.[3] Consequently, significant amounts of manual work are needed to calculate payment amounts for such claims. SSA studies show that claims excluded from fully automated processing are generally more complex, result in a higher proportion of inaccurate payments, and take an average of 30 additional days to process.

RSI postentitlement subsystems, likewise, have limited automated processing capabilities. For example, the subsystem that handles benefit terminations because of death cannot process terminations involving dual entitlement actions. Of more than

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[1] We completed our work in the spring of 1983. This discussion of RSI system deficiencies, and the system description presented in attachment II, reflect conditions at the time of our work, and not subsequent changes that may have been made as part of SSA's ongoing SMP activities. This discussion of system deficiencies is more meaningful if the reader is already familiar with the contents of attachment II.

[2] These master record updating processes are described in attachment II.

[3] A person—usually the spouse or child of a primary RSI beneficiary—who receives monthly benefits based on the earnings record of that primary beneficiary.

1.4 million death terminations for fiscal year 1982, almost 13,000 were rejected by this subsystem because they involved dual entitlement.

Because such limitations permeate the automated RSI system, hundreds of thousands of RSI transactions must be processed manually each year, and the associated manual calculations are not only error prone, but they also add to SSA's already burdensome manual workload backlog. For example, in March 1983, agency personnel told us that for the previous 6 months, SSA's program service centers had an average monthly backlog of about 1 million claims folders awaiting manual annotations. They added that system limitations and additional workloads would prevent the agency from returning to "normal" backlog levels—about 500,000 folders—for 2 to 3 years. This, obviously, delays processing of many initial claims actions and postentitlement adjustments. In addition, when manually oriented processing routines are used extensively to compensate for system limitations, existing automated system edits and controls will likely be overridden. SSA regularly uses three such routines in processing RSI claims, postentitlement, and payment transactions (see attachment II).

Internal Control Weaknesses

Because the automated processes supporting the RSI program play such a key role in making benefit payments and maintaining beneficiary records, there is a crucial need for effective internal controls within and among those processes. This is especially true in light of the magnitude of monthly RSI benefit payments and beneficiary transactions. Such controls can greatly enhance overall RSI program operations by preventing and detecting errors, omissions, and fraud, and thus helping to assure the accuracy and reliability of beneficiary data and payments. Effective internal controls can also help facilitate the correction of erroneous, improper, or incomplete transaction processing. Moreover, such controls are needed in the RSI system to insure SSA's compliance with the Federal Managers' Financial Integrity Act of 1982.

We found, however, that the RSI system has multiple internal control weaknesses. The most serious of these, in our view, is the lack of adequate system documentation, which will present major obstacles to private contractors that SSA hires to work on SMP software improvement projects. In addition, controls over data input, processing, and output are inadequate, with the burden of control often falling on the beneficiary (e.g., SSA is often unaware of erroneous actions until the affected beneficiaries report them). And, as mentioned previously, the need to rely extensively on manually oriented processing routines encourages the overriding of existing automated edits and controls. Further, the system does not provide an automated transaction trail which would help determine why the errors that are detected occurred.

The lack of effective computer-based internal controls within the RSI system has been at least partially responsible for incomplete and/or inaccurate data in beneficiary records and for duplicate and/or inaccurate benefit payments. The following examples highlight several of the internal control weaknesses we found:

Inadequate documentation.—Inadequate program and system documentation not only made auditing the automated RSI system almost impossible, it has greatly restricted SSA's analysis of processing routines and has hindered the identification and correction of processing problems. Because there is so little documentation, SSA programers can only "assume" that correct processing has been performed. For example, during our review, we found at least 350 transactions that appeared to be recirculating indefinitely within the automated system, never processing to completion. The processing routine involved is intended to provide cross references for interfacing between the RSI system and other automated benefit payment systems, such as the railroad retirement, black lung, and supplemental security income systems. Because of inadequate documentation, neither we nor SSA could readily determine how these transactions should have been processed, how long this problem had existed, or the effect on RSI system processing and program beneficiaries.

Inadequate controls for preventing duplicate payments.—A primary RSI beneficiary died in December 1980. SSA processed a survivors benefit payment of $420.10 through one RSI subsystem, making payment on January 13, 1981. Meanwhile, another subsystem incorrectly processed a duplicate check which was paid to the survivor on January 15, 1981. SSA studies have identified duplicate payments or overpayments that occurred because such RSI payment subsystems could not be adequately interfaced. Most of these were detected when SSA manually reviewed the case files.

Lack of a transaction trail.—During the processing of postentitlement transactions, record counts and dollar totals were out of balance, indicating that 14 RSI

cases had payment-related discrepancies totaling more than $10,000. However, because the system lacks a transaction trail, SSA could not identify the individual cases affected. SSA programers "guessed" that about 1,000 transaction records in all had been dropped from processing, and they corrected what they thought was "probably" the cause of the problem. In the 14 discrepant cases, however, SSA could not pay the $10,000 associated with the dropped transactions unless the affected beneficiaries contacted SSA field offices to complain. Consequently, payments were delayed even further. In addition, no action could be taken to make the non-payment-related changes (e.g., changes of address, changes in designation of representative payee, corrections in name spelling, etc.) associated with the remaining 900-plus lost records that were never processed. We could not determine the impact this had on beneficiaries.

SSA is generally aware of some of the RSI system deficiencies our work identified. Nevertheless, we feel the agency can use our findings to develop specific actions for correcting these deficiencies and should incorporate their proposed actions into SMP's software engineering activities. To facilitate this, we will be providing SSA with further details on our findings.

Attachment II

Description of Retirement and Survivors Insurance Automated and Manual Processes

Abbreviations

ADP	Automatic data processing.
AERO	Automatic earnings reappraisal operation.
AJS	Automated job stream.
APO	Award processing operation
CAPS	Claims automated processing system.
CHAFF	Change of address free format.
CLACON	Claims control operation.
COCO	Claims orbit and control operation.
DI	Disability insurance.
DOC	Data operations center.
EAM	Electronic accounting machine.
Entrex	Equipment brand name.
IMPACC	Immediate payment critical case system.
MADCAP	Manual adjustments, credits, and awards process.
MBR	Master beneficiary record.
NIF	Not in file.
OCO A-	One-check only A-.
PESO	Postentitlement scheduling operation.
PIA	Primary insurance amount.
PMTT	Programable magnetic tape terminal.
PSC	Program service center.
REACT	Returned check action program.
ROAR	Recovery of overpayments, accounting, and reporting system.
RSDI	Retirement survivors and disability insurance.
RSI	Retirement and survivors insurance.
RTUO	Regular transcript update operation.
SALT	Suspension and life termination.
SMP	Systems modernization program.
SSA	Social Security Administration.
SSACCS	Social Security Administration claims control system.
SSADARS	Social Security Administration data acquisition and response system.
SSI	Supplemental security income.
SSN	Social security number.
TATTER	Terminations, attainments, transfers, and terminations program.

INTRODUCTION

When an individual contacts a local SSA office to claim benefits under an SSA program, SSA must determine if the individual is entitled to such benefits and, if so,

in what amount. To do this, SSA relies on computerized records maintained at SSA headquarters.

SSA operates a large and complex computer/communications system which is intended to process such information rapidly. An employee at a field office—using a computer terminal—can frequently estimate approximate monthly benefits and input information from the claimant, thus starting the process that results in a benefit payment.

In some cases where not all information is available or when the claim is complex, it must be referred to one of SSA's program service centers (PSC's) for action. The number of factors involved in an individual claim and the variety of situations that can occur has caused SSA to establish a number of systems (some manual, some automated) to process and track each claim.

Once an initial claim is processed, a variety of occurrences (termed postentitlement events) can affect the amount of monthly benefits paid to an individual. These postentitlement events may be as simple as a change of address, or they may be more complex, such as an increase in a beneficiary's earnings to a level where the law requires that monthly benefits be reduced or suspended. SSA's systems must be able to adjust SSA records and individuals' monthly benefits to account for these occurrences and to notify beneficiaries of the actions taken.

All in all, the process of authorizing retirement and survivor benefits, paying monthly benefits, and making necessary changes as postentitlement events occur can become very complex. The large volume and various types of transactions SSA processes further complicates operations by requiring extensive recordkeeping and complex automated systems to handle this monumental workload.

Given the complexity of SSA operations and systems, it is difficult to summarize them concisely and in a manner that is easily understood. This overview, while apparently complex, is actually considerably simplified to illustrate only the major elements of SSA's operations and is intended to show the flow of operations rather than to provide in-depth technical information.

BACKGROUND

The retirement and survivors insurance (RSI) and disability insurance (DI) programs were established by title II of the Social Security Act (42 U.S.C. 301 et seq.). RSI was established in 1935 to provide income for taxpayers and their dependents when the taxpayers' earnings are curtailed or stopped due to retirement or death. DI was established in 1954 to protect wage earners who become disabled by recognizing their period of disability when they applied for retirement benefits. That program was subsequently expanded to authorize cash benefit payments to the disabled. Nine out of 10 American workers pay social security taxes to fund these key social insurance programs. The Social Security Administration (SSA), a major component of the Department of Health and Human Services, is directly responsible for administering these programs.

In fiscal year 1982, RSI and DI programs provided Federal benefit payments totaling $152.1 billion—$134.7 billion for the RSI program and $17.4 billion for the DI program.[1] As of September 30, 1982, there were 31.5 million RSI recipients and 4.1 million DI recipients.

To make RSI and DI payments, SSA relies on its personnel as well as its computer and telecommunications operations. But the agency also relies on beneficiaries to provide claims and postentitlement information. In addition to automatic data processing (ADP), SSA relies extensively on manual processing to administer RSI services.

Although RSI and DI programs are closely related, our overview focuses on SSA operations and systems used to administer the RSI program.

RESOURCES REQUIRED TO CARRY OUT THE RSI PROGRAM

Personnel Resources

In fiscal year 1982, SSA incurred $1.5 billion in administrative costs to provide RSI services to beneficiaries. To deliver these and many other services for which it is responsible, SSA employs about 88,400 personnel in its Baltimore, Md., headquarters and in field offices nationwide.[2]

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[1] These statistics represent the most complete, currently available data.

[2] This includes full-time permanent, access (college students), intermittent, and part-time (temporary and permanent) personnel, and others on special employment programs.

—About 27,500 headquarters employees provide direction to field components on SSA programs, policies, operations, and administrative activities.[3] Headquarters also operates and maintains most of the ADP and data storage facilities.

—About 44,900 employees are located throughout the country in 10 regional offices, 1,340 district and branch offices, 3,300 contact stations, and 33 teleservice centers. Regional offices have direct line authority over the operational and administrative activities of these other field organizations, which serve as the primary points of contact between the public and SSA.

—About 14,300 employees located in 6 program service centers—in New York; Philadelphia; Chicago; Birmingham, Ala.; Kansas City, Mo.; and Richmond, Calif.—process, review, and approve RSI transactions that field offices cannot handle. In addition, the Division of International Operations in Baltimore has 570 employees who process RSI transactions for people residing outside the United States.

—About 1,110 employees assigned to three data operations centers (DOC's)—in Salinas, Calif.; Albuquerque, N. Mex.; and Wilkes-Barre, Pa.—receive and process mass input items such as employer earnings reports.

ADP and Telecommunications Resources

SSA relies extensively on ADP operations to deliver RSI services. ADP operations, centrally located at agency headquarters, are carried out on various large-scale computer systems and on medium- to small-sized special-purpose computers. Currently, eight systems are dedicated to programmatic processing, two support the telecommunications network, one supports systems modernization program (SMP) test and development efforts, and one provides administrative/management information. About 1,100 employees on three shifts operate the computer center 24 hours a day, 7 days a week.

Each program service center also has at least one large-scale computer system used for controlling case folders, printing output received from the headquarters computing center, and supporting a management information system. The PSC's also operate their systems 5 to 7 days a week.

To transmit data to and from headquarters, SSA uses a nationwide telecommunications network. This network allows field offices and PSC's to access automated beneficiary data stored at headquarters, transmit input data to the central computer facility for processing, and receive the output of that processing. A more detailed description of this network as it relates to RSI activities follows:

OVERVIEW OF THE RSI PROCESS [4]

The RSI process illustrated by exhibit A, usually begins when an individual contacts a field office initially to file a claim for benefits (or, if already on the rolls, to report an event that may change his or her eligibility or entitlement). The field office, in turn, communicates through the telecommunications network with headquarters computer operations—and with PSC's, as necessary—to either establish beneficiary records or access established records.

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[3] This includes the Office of Disability, the Office of Central Records Operations, and the Office of Hearings and Appeals.

[4] Our review was completed in the spring of 1983; any system changes made since that time are not reflected in this overview of the RSI process.

Exhibit A

SIMPLIFIED FLOW OF THE RSI PROCESS

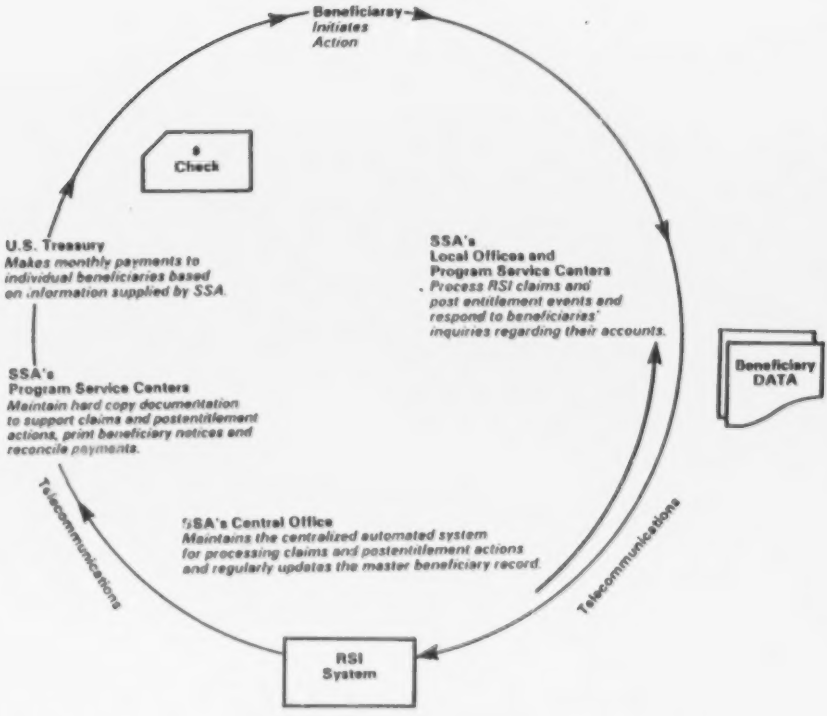

Beneficiary—
Initiates
Action
$
Check
U.S. Treasury
Makes monthly payments to individual beneficiaries based on information supplied by SSA.
SSA's
Local Offices and
Program Service Centers
Process RSI claims and post entitlement events and respond to beneficiaries' inquiries regarding their accounts.
Beneficiary DATA
SSA's
Program Service Centers
Maintain hard copy documentation to support claims and postentitlement actions, print beneficiary notices and reconcile payments.
Telecommunications
SSA's Central Office
Maintains the centralized automated system for processing claims and postentitlement actions and regularly updates the master beneficiary record.
Telecommunications
RSI
System

Exhibit A

SSA calculates and pays RSI benefits through a complex combination of automated and manual procedures. As information passes through over 600 title II computer programs, the automated system performs various functions, such as posting beneficiary changes, recalculating benefits, and monitoring overpayments. This system also interacts with other critical SSA and external computerized systems, such as the supplemental security income (SSI) and black lung systems. These systems are interdependent with the RSI system. For example, the amount of SSI benefits paid to a recipient depends in part on the amount of RSI benefits received. Whenever the automated system cannot fully process a transaction, usually because the system is limited in its ability to handle certain transactions, SSA performs the transaction using processes that are semiautomated or completely manual. (See a description of major automated systems and their limitations following the table.)

SSA maintains RSI computerized master files through a process which includes a separate update cycle for each of two master beneficiary files.

The Department of the Treasury supports the RSI process by producing monthly checks and mailing them to beneficiaries or by making direct deposit payments.

Claims and Postentitlement Events

RSI actions fall into two main categories. Claims actions establish beneficiary entitlement, while postentitlement actions reflect events occurring after the initial determination of entitlement that may change eligibility or entitlement status.

Applicants generally file claims for social security benefits at and report postentitlement events to field (district or branch) offices. Claims representatives interview applicants and evaluate entitlement information, such as evidence of employment and worker identification data (e.g., W-2 forms, proof of age, proof of recent retirement, etc.). SSA evaluates all entitlement evidence including SSA-maintained earnings information and Railroad Retirement Board records. (For some transactions, railroad compensation is pertinent in determining RSI benefits or jurisdiction of the claim.) After evaluating all entitlement evidence SSA either authorizes payment by Treasury or disallows the claim. SSA then notifies the claimant of the disposition of the claim.

SSA processed about 3.3 million RSI claims in fiscal year 1982, with field offices making a final decision in about 74 percent of these claims. Field office personnel then enter the decision into the computer system and forward the hard-copy claims folder to the responsible PSC.

If field offices cannot finalize a claim—because of case complexity, inability to complete system entry (e.g., when needed beneficiary data is missing), or insufficient folder documentation—the claim will be referred to a PSC. In fiscal 1982, 26 percent of RSI claims were processed by PSC's. Regardless of where final processing occurs, field offices forward RSI claims documents to PSC's. The PSC's process the more complex claims and postentitlement actions and are the primary repositories within SSA for case folders, which contain hard-copy documents, correspondence, and other payment mateial.

SSA processed postentitlement actions to reflect changes in beneficiary status or information and changes in provisions of programs which occur after entitlement has been established. These events often affect: (1) The beneficiary's continued entitlement or eligibility to receive payments, or (2) the amount or disposition of payments. Examples of beneficiary-reported postentitlement events include:

—Changes in status (e.g., in work status, earnings estimates, marital status, residency, school attendance, age, dependency, et.).
—Termination of benefits because of death.
—Changes in address or bank account number.
—Lost or stolen payments.

Those reported changes represent about half of all postentitlement events that occur each year. Other postentitlement events include such items as changes in the legislated benefit rate. This particular change can affect over 35 million RSI and DI beneficiaries.

SSA's ability to process both claims and postentitlement actions depends heavily on the adequacy (in field offices, PSC's, and headquarters) of (1) automated systems, and (2) the personnel to process manual actions.

SSA's Telecommunications System—A Crucial Element of the RSI Process

SSA uses its telecommunications network extensively to transmit RSI-related beneficiary data between field offices and headquarters. The agency relies on several types of telecommunications equipment to transmit this data. The SSA data acquisition and response system (SSADARS)—interactive video display terminals that feature online editing capability (see glossary) and real-time information retrieval—supports all field offices. The capabilities provided by SSADARS terminals include online query and update for RSI data.

Headquarters host computers receive queries from the terminals, process the information immediately, and transmit the responses back. At the same time, the incoming information may update the computer record so that responses to later queries will be based on current information. In most cases the terminal should receive a response within a few seconds after the query is transmitted.

In addition, PSC's use key-to-disk equipment to enter mass data (claims and postentitlement changes) in machine readable format. This equipment is part of a computer-controlled PSC data preparation system called Entrex. That system collects, edits, formats, analyzes, and verifies input data and then transmits it on magnetic tape to the central computer facility for further processing. Using Entrex, PSC personnel can enter data simultaneously throughout the day from multiple key stations, accumulating and storing the data temporarily on magnetic disks. These batches of data are then transferred onto magnetic tapes (either intermittently or at the end of the day), and later transmitted to headquarters. (This is done over dedicated high-speed transmission lines which connect programable magnetic tape terminals (PMTT's) operating at each end.) This reproduces the tapes at headquarters so that further processing by the central computer facility can occur.

RSI data transmitted to headquarters over the telecommunications system accumulate at the central computer facility until delivered to the specific systems designated for processing RSI transactions. (SSA dedicates each of its systems to specific SSA program workloads.) This processing produces various forms of output (for internal SSA use or delivery to beneficiaries). For example:

—PSC's are sent payment tapes for delivery to the Treasury Department regional disbursing centers.
—PSC's are sent system output from headquarters, and their computers print beneficiary notices, folder documentation forms, and other documents.
—Field offices are sent exception information and data recorded in various automated headquarters files through the SSADARS network. The majority of exceptions, however, are transmitted to the PSC's by means of the PMTT.

DESCRIPTION OF THE CLAIMS PROCESS

SSA's ability to process initial requests for RSI benefits depends on the combined efforts of field offices, headquarters data processing operations, and the PSC's.

RSI claims can be divided into four authorization categories:

Those that can be authorized by field office personnel without later PSC review. These are called "district office final authorization." [5]

Those that can be initially authorized by field office personnel but require PSC clerical review, approval, and processing. (These are also referred to as "district office final authorizations.");

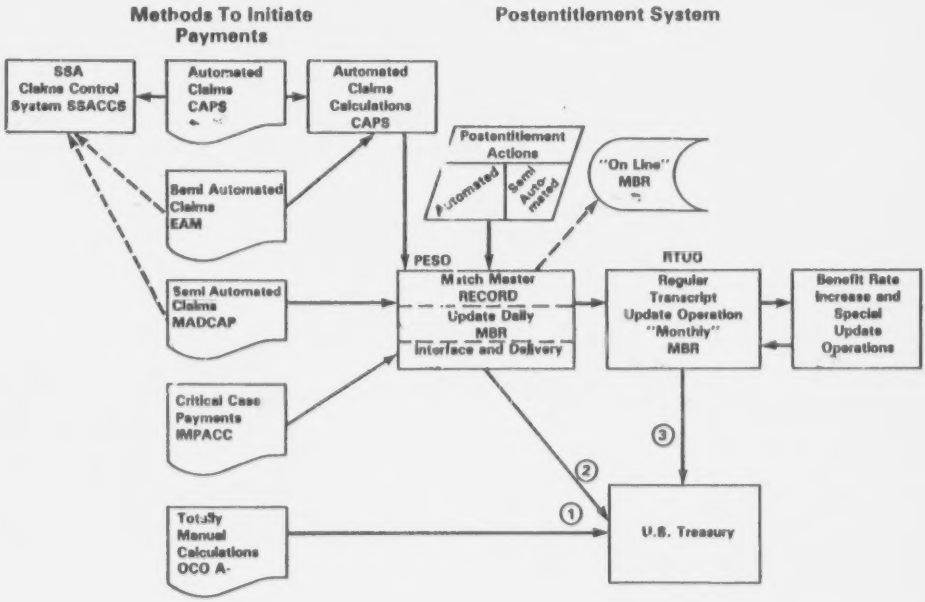
Those that can be authorized only by PSC personnel. Field offices forward to PSC's for action, those claims with certain characteristics that tend to increase the probability of adjudication error.

Those that can be authorized only by PSC personnel because of system limitations.

SSA uses one of a combination of five different processing methods—each of which is either fully automated, semiautomated, or completely manual, depending on the circumstances of the actions—to authorize claims and calculate payment. The method or methods used depend on the nature of the claim and the capabilities of the automated systems.

These five processes (see exhibit B) are: Claims automated processing system (CAPS); electronic accounting machine (EAM); manual adjustments, credits, and awards process (MADCAP); immediate payment critical case (IMPACC); and one-check-only A- (OCO A-).

Exhibit B
RSI AUTOMATED AND MANUAL PROCESSES



The following table shows which entities—PSC's or field offices—use each of these five methods and to what extent. A more detailed description of each method follows the table.

[5] This term is used to describe claims authorized by district and/or branch offices.

METHODS TO INITIATE PAYMENTS [1]

	Used by field office	Used by PSC	Fiscal year 1983 percentage of claims processed
CAPS	X	X	66
EAM	(2)	X	7
MADCAP	(2)	X	22
IMPACC [3]	X	X	(4)
OCO A– [3]		X	(4)
Total			[5] 95

[1] MADCAP, IMPACC, and OCO A– are used for claims and postentitlement transactions; however, the statistics represent only claims.
[2] Field offices perform manual calculations for MADCAP and some EAM actions; however, this information must be forwarded to the PSC's for review and data input.
[3] IMPACC and OCO A– payments are interim payment methods which eventually go through MADCAP.
[4] Less than 1.
[5] Disallowances, abatements, and withdrawals account for 5 percent of the number of claims. Most disallowances are processed by CAPS. In fiscal year 1983, 3.1 percent were CAPS disallowances.

Claims Automated Processing System

CAPS is a series of automated programs featuring direct data input through which field offices and PSC's enter initial claims actions (see glossary for definition of initial claims) and generate payments or deny claims. Generally, CAPS is limited to processing initial claims transactions (the major exception is the lump sum death payment). By directly inputting to a headquarters computer, pertinent data such as social security number (SSN), name, etc., along with data extracted from the summary earnings records,[6] CAPS can: (1) Determine insured status, (2) compute primary insurance amounts (PIA) (see glossary), (3) establish dates of entitlement, and (4) develop benefit notices to beneficiaries.

Because CAPS is complex (it consists of numerous computer programs and uses many types of data), SSA developed three separate control systems for CAPS. These are described below in the order that processing occurs.

1. *SSA claims control system (SSACCS).*—SSACCS (1) tracks each claim processed through CAPS (as well as EAM and MADCAP) from the time of filing until adjudication is completed, (2) interfaces with the RSI case control system in each PSC, which tracks the location of hard-copy case folders, and (3) edits and sorts CAPS records, and identifies any duplicate CAPS input transactions.

2. *Claims control operation (CLACON).*—CLACON allows those cases that require additional data to be held pending receipt of that data. For example, if additional information is needed—such as earnings—to continue processing a claim, CLACON holds the available claims information until the additional earnings data can be obtained.

3. *Claims orbit and control (COCO).*—Claims that have no apparent computation deficiencies after clearing SSACCS and CLACON are stored in COCO's orbit—a type of suspense file—until the field offices or PSC's determine the proper course of action, e.g., whether to modify or delete data or authorize the claim.

Once the claims data have been processed through these controls, they are entered into the award processing operation (APO)—it consists of a series of computer programs which compute work deductions,[7] calculate monthly benefit amounts, and determine entitlement dates.

Electronic Accounting Machine

EAM is a semiautomated claims processing method. While it no longer actually involves the use of electronic accounting machines, it is still referred to as the EAM process. Field and PSC employees manually calculate those entitlement dates and primary insurance amounts that CAPS is incapable of determining. These calculations, along with basic identity and entitlement data, are then entered into APO by

[6] A summary earnings records consists of a summary showing annual earnings and individual quarters of coverage for each person who has been issued a social security number. It is updated each time that individual has additional earnings reported. It is used to determine if an individual is entitled to benefits and to compute the initial benefit payment amount.

[7] A work deduction is the suspension or partial reduction of a beneficiary's monthly benefit amount due to excess earnings. The Social Security Act requires that certain beneficiaries have their benefits reduced if they work and have earnings that exceed an annual exempt amount.

the PSC's. Thus, the "automated" portion of EAM is, in essence, the previously described APO system. Most RSI transactions processed by EAM are subsequent claims. (See glossary for definition of subsequent claims.)

Manual Adjustments, Credits, and Awards Process

MADCAP handles all RSI claims that cannot be processed by either CAPS or EAM; that is, those claims requiring manual processing. For such claims, all of the paperwork and computations required to compute benefits must be prepared manually. This information is then entered into the system for subsequent automated processing (see exhibit B).

Immediate Payment Critical Case

IMPACC is a partially automated process that overrides all existing controls in the CAPS system, permitting benefits to be paid promptly in those cases where delays—such as those caused when claims data are rejected by the regular automated systems—would create financial hardship for the beneficiary. When the problem causing such a delay cannot be quickly corrected by a PSC or field office's direct input to the automated system, IMPACC is used to make temporary monthly payments until the beneficiary's claim clears the regular process (CAPS, EAM, or MADCAP), placing him or her in current pay status.

One-Check-Only A-

OCO A- is a totally manual process SSA uses to expedite the payment of RSI benefits that have been delayed for long periods in the regular payment operation. As its name implies, it is intended to pay the claimant only one check, usually for total benefits accrued since the claimant's date of entitlement. Once an OCO A- payment is made, input to one of the regular systems is necessary to pay subsequent checks on a continuing basis.

DUAL SYSTEMS ARE USED TO UPDATE MASTER BENEFICIARY RECORDS (MBR'S) FOR POSTENTITLEMENT EVENTS

Once a beneficiary has had his or her RSI claim established through one of the initial claims processes, a master beneficiary record is created to store all pertinent information about the individual's RSI claim.[8] Any number of events occurring thereafter may change entitlement or eligibility, or the disposition of payments. SSA uses two separate title II subsystems—the postentitlement scheduling operation (PESO) and the regular transcript update operation (RTUO)— to update the MBR's to reflect changes in beneficiary status caused by these postentitlement events (see exhibit B).

RTUO maintains all MBR's while PESO maintains only the MBR's that have had changes within the current operating month (see glossary). Both PESO and RTUO process payment changes and send them to the Treasury. To have up-to-date information readily available for posting changes to beneficiary status, SSA found two MBR files were needed. If SSA depended solely on the monthly RTUO, many beneficiary changes could not be posted promptly, causing incorrect payments and beneficiary inconvenience. By using PESO, beneficiary changes reported in the middle of a processing month become effective in that month; later, SSA uses RTUO to update the monthly MBR data base.

In addition, PESO directs changes to the "online" MBR which SSA filed and PSC employees use to gain quick and easy access to beneficiary information through the telecommunication system.[9] Thus, these three MBR's receive information from the

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[8] Because it contains the basic account, benefit, and payment data necessary to issue a monthly benefit check, an MBR is the primary computer record in the RSI system. Data maintained on an MBR include the beneficiary's name, date of birth, address, claim account number, payment computation and history, and health insurance data. Although an MBR plays a major role in the RSI system, other operations—such as the health insurance, black lung, SSI, statistical, and earnings system—also frequently use MBR data. The total MBR file consists of over 80 million records. Each record comprises varying amounts of data, ranging anywhere from 60 to approximately 80,000 characters in length.

[9] The online MBR may be a "full" or "mini" record. After a postentitlement or claims action has been posted to an MBR, the online MBR maintains the full record for 2 months. All other MBR's in active status (e.g., current pay status) are kept online in a "mini" format. The mini MBR is about half the size of the full MBR. For example, the mini MBR will only include the three most recent PIA's and historical payment data, whereas the full MBR will include all PIA's and historical payment data.

two updating subsystems—PESO and RTUO. Since SSA could conceivably maintain three separate MRB's per beneficiary at a given time, it is crucial they be consistent.

PESO and RTUO maintain and update their respective MBR files through separate but coordinated scheduling operations. In essence, PESO and RTUO process the same transactions but in a different sequence. RTUO's monthly scheduled processing is divided into 20 segments based on SSN (e.g., transactions with SSN's ending in 00 through 04 are processed in segment 1, 05 through 09 are processed in segment 2, etc.), each of which is only processed once a month.

On the other hand, each of the two to three weekly PESO processing runs involves transactions representing the full range of SSN's—i.e., ending in 00 through 99. After updating its MBR's with these transactions, PESO accumulates and holds the transactions until they are needed as input to RTUO. At that time, PESO delivers those transactions with SSN's which correspond to RTUO's processing segments. Although PESO currently only operates two to three times a week, its MBR's are still referred to as the "daily" records, since PESO used to update them daily. Similarly, because RTUO updates its MBR's monthly, they are known as the "monthly" records.

Description of the Postentitlement System

The postentitlement system receives changes in beneficiary status and updates the MBR through a series of automated programs. Generally, upon receiving information concerning a postentitlement event from any of several sources, the system:

—Finds the individual MBR needed to process the transaction.
—Determines how the event affects the data contained therein.
—Makes the necessary changes to the record.
—Prepares and mails a notice of the changes to the beneficiary.
—Provides data to other automated systems, and
—Forwards the corrected information to Treasury so that the proper payment can be made.

More specifically, the postentitlement system can be broken down into four major processing phases: PESO postentitlement input, PESO MBR search operation, applications programs, and PESO and RTUO update operations. Each is discussed below.

PESO postentitlement input

Input for postentitlement events comes primarily from field offices, PSC's, and headquarters. Field offices enter most postentitlement information that beneficiaries report, and PSC's handle that information which field offices cannot process. Headquarters input usually results from regular automated screening of the MBR's. For example, when a beneficiary reaches the age of 70, his or her benefits may need to be recalculated.

PESO input comes in many forms:

—Initial claims data for establishing new MBR's.
—Health insurance, SSI, black lung, and railroad retirement data for interfacing with other automated processes.
—Data rejected by previous PESO processing and reentered by PSC employees.
—Changes in beneficiary status.
—Rejected monthly transactions from RTUO. These transactions are entered regularly upon completion of corresponding RTUO processing.[10]

During each processing run, PESO's first major computer program processes about 1 million transactions, sequencing and assigning a priority search code to each transaction. Priority search codes are needed since PESO generally can process only one transaction per account per processing run. These codes which are determined primarily by the type of incoming postentitlement transaction, enable a subsequent program within PESO to determine which actions will access the MBR during the current operating run. For example, if an address change and a work notice are received on the same day, the address change code has a higher priority than the code assigned to the work notice.[11] Therefore, the address change would be

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[10] Since PESO has already processed these RTUO-rejected transactions and posted them to the daily and online MBR's, these MBR's must be adjusted. The system control record provides information to PESO programs to insure that all RTUO rejections—assigned the highest priority search code—are submitted to the next PESO run. In coordinating the processing activities of PESO and RTUO system control record, as one of its primary functions, identifies the schedule for delivering PESO-processed transactions to RTUO. It also monitors PESO's receipt of transactions that RTUO returns (e.g., rejects).

[11] A beneficiary's notification to SSA that he or she either has terminated employment or returned to work. (Beneficiary employment earnings may affect benefit payments.)

forwarded to the next processing phase—the MBR search—and the work notice would be "recirculated" for later processing.[12] If the processing priority were reversed in this case, i.e., the work notice was processed first, the work notice would be processed using an incorrect address for the beneficiary.

PESO MBR search operation

This process locates and associates an MBR with each postentitlement transaction so that applications programs can perform their processing functions. The searching operations are fully automated. The first major MBR search activity is to access MBR's that PESO has updated since the last monthly RTUO update. This involves searching an "orbiting" file of recently updated MBR's.[13] (This file is kept current by another function of this operation which merges into it file of records updated in the prior day's PESO run.)

This orbiting file is then searched to determine if it contains any MBR's that match any input transactions. Matching transactions are forwarded for further processing, while nonmatched transactions are sent for a search against the entire MBR file. This second search operation produces a file of matched and nomatched (not in file or NIF) transactions and MBR's which is then merged with the matches from the first search and medicare premium due data obtained from the health insurance system. This data is needed by the PSC's for withholding medicare premiums from RSI monthly benefit payments.

The next processing step separates transactions by type of action and directs them to an appropriate applications program.[14] For example, transactions requiring an address change are sent to the specific application program designed to automatically change addresses.

Applications programs

About 21 transactions-oriented applications programs separately perform major types of processing. Although these programs vary considerably in individual processing steps, they perform the same basic tasks (i.e., analyzing and validating transactions and related MBR data) and produce the same major outputs.

Transactions rejected during the application's validation process must be corrected by PSC's. For example, if the date of birth or date of death shown is in the future, the transaction will be rejected. Valid transactions are processed by the applications program, which perform such functions as posting overpayment data, calculating benefit adjustments, or terminating benefits. The following table briefly describes some of the applications programs.

Program:	*General purpose/function:*
Change of address free format (CHAFF).	Changes the payee's name and address on the MBR.
Suspension and life terminations (SALT).	Allows SSA to suspend or terminate benefit payments or to adjust them when postentitlement events occur, such as marriage or divorce, or when the last entitled child leaves his or her mother's care.
Recovery of overpayments and accounting reporting (ROAR).	Maintains data for and monitors data on the recovery of overpayments and reflects such data for each beneficiary on a recovery of overpayments, accounting master record.
Terminations, attainments-transfers and terminations (TATTER).	Terminates monthly benefits upon receiving notice of a beneficiary's death and assigns payment of benefits to his or her survivors.

[12] The process by which access to an MBR will be delayed if another request of a higher priority is made for the same MBR.

[13] Copies of new and recently modified MBR's which are held by PESO until they are made permanent by RTUO.

[14] Application programs receive NIF's; however, they reject and send them to the appropriate PSC. Exceptions to this are NIF's which are initial claims in which case PESO and RTUS establish MBR's and process these transactions.

Program:	*General purpose/function:*
Returned check processing operation (REACT).	Establishes and maintains automated control over returned checks by: (1) The disposing of returned checks, (2) creating returned check alerts for other postentitlement operations, and (3) alerting the appropriate PSC of cases requiring manual processing.
Manual adjustments, credits, and awards process (MADCAP).	Processes all postentitlement and claims transactions that cannot be processed through other automated methods.
AJS-1	Calculates and pays benefit increases due as a result of a benefit recomputation, such as when additional earnings increase an individual's benefits.[1]
AJS-3	Processes annual earnings reports of working beneficiaries and related benefit adjustments and beneficiary notices.

[1] The automated job stream (AJS) was originally designed to integrate the application processes. The concept was developed in the mid-1970's to develop common functional requirements and processing capabilities. Although the fully integrated AJS project was never achieved, two versions—AJS-1 and AJS-3—were implemented. (See GAO report HRD-81-47, Feb. 6, 1981.)

The results of these application programs are reflected in three major SSA outputs referred to as: (1) Postentitlement action tapes, (2) postentitlement located unprocessed masters (tapes), and (3) postentitlement update tapes.

The postentitlement action tapes and located unprocessed masters contain information regarding folder documentation, automated beneficiary notices, and unprocessable actions. Headquarters transmits these tapes to PSC's which print and mail beneficiary notices, maintain the hard-copy beneficiary folders, and reprocess rejected transactions.

SSA submits the postentitlement update tapes to the systems integrity fiscal totals operation, a PESO subsystem which provides beneficiary payment totals and other fiscal data for headquarters and PSC use.[15] Once this fiscal and accountability operation is completed, SSA uses the postentitlement update tapes as input for the next major process—the PESO and RTUO MBR update.

PESO and RTUO update processes

Both PESO and RTUO use the changes on the postentitlement update tapes to update their respective MBR files. Before performing the update operation PESO validates the "daily" MBR and the update actions. If the transactions fail the validation process, a PESO program routes them back to the PSC's for correction and corrects the previously accumulated fiscal totals operation.

For the transactions that clear the validation process PESO updates the MBR and produces six tape files, each of which serves as input for subsequent operations. For example, PESO uses one of these files to interfere with other automated systems. Further, PESO submits payment data contained in this file and one of the other files to a series of special operations which forward the data to Treasury to prepare the benefit check. In addition, when data from another PESO tape file is received, RTUO updates the monthly MBR, produces payment-related data, and forwards that data to Treasury.

In addition to ongoing PESO and RTUO updating operations, special update operations—to reflect events such as the periodic benefit rate increase—affect the entire master file and are communicated to Treasury separately.

Changes in Beneficiary Status Forwarded to Treasury

Changes in beneficiary status which affect benefit payments are communicated to Treasury not only through PESO and RTUO but also through the manual OCO A-

[15] The system control record provides information needed to assure that output files from the applications programs are processed through the systems integrity fiscal totals operation, before being sent to PESO's MBR update process. (See glossary for definition of the systems control record.)

process. Three separate operations to report beneficiary changes are needed because of the timing and nature of a beneficiary's changes.

The timing of a particular postentitlement event, in relation to RTUO's segmented updating process, can affect whether it will be transmitted to Treasury by PESO or RTUO. Because each of RTUO's 20 segments is updated once a month, a particular transaction may occur just after the corresponding RTUO segment has been updated. Thus, this transaction would not be processed by RTUO until the following month. In such cases affecting payment, SSA uses PESO to communicate these changes to Treasury during the current operating month. Conversely, if the transaction occurs before RTUO's monthly update of the corresponding MBR segment, the change will be communicated to Treasury through that process.

In addition, the nature of the beneficiary's status or change may affect the payment process routes. For example, when payments are past due, PESO produces a special file for communicating these payments to Treasury. Whenever payments cannot be made through either RTUO or PESO they are handled through the OCO A- operation, which communicates them to Treasury.

In communicating changes in beneficiary payments and status to Treasury, SSA's headquarters first reconciles claims and postentitlement payments, then sends (through its telecommunications system) authorized beneficiary changes to PSC's. PSC's prepare payment documents and deliver the transactions to Treasury. The Treasury Department's regional disbursing centers maintain files of continuing monthly payments for RSI beneficiaries. Using the beneficiary changes reported by SSA, Treasury updates its payment tapes, prints checks, and mails them to the beneficiaries.

GLOSSARY

Automatic earnings reappraisal operation (AERO).—A series of computer programs for the postentitlement function of recomputation and recalculation of primary insurance amounts and benefit rates. This recommendation is based on earnings recorded after benefit entitlement is established.

Automated job stream (AJS).—A multiversion operation designed to integrate the object program process. The concept was developed in the mid-1970's and its purpose was to develop common functional requirements. The fully integrated AJS project was never achieved, however, two versions—AJS-1 and AJS-3 were implemented. AJS-1 primarily pays increased benefit recomputation. AJS-3 processes beneficiary reports of earnings under the annual retirement test.

Award processing operation (APO).—This operation is a series of computer programs which process data from the CAPS and EAM claims systems and results in the final award or disallowance action. APO compute data such as work deductions, monthly benefit amounts, and entitlement dates.

Change of address free format (CHAFF).—A PE application that formats change of address data and applies it to the MBR.

Claims automated operation processing systems (CAPS).—A series of computer programs designed for processing of most initial and certain subsequent claims. The CAPS programs include actions beginning with the input of the claim data through processing of the claim or disallowance by the award processing operation.

Claims control operation (CLACON).—A control function and holding file for claims from time of receipt until documents are mailed to the district/branch office.

Claims orbit and control operation (COCO).—This is a subsystem of CAPS that maintains an orbit file, formats the records sent to APO, prepares messages sent to the district/branch office, and routes all records received to the appropriated programs.

Current operating month.—A contrived time interval which usually begins around the 20th of the month allowing SSA and Treasury time to prepare checks by the early monthly delivery date.

Dual entitlement.—When a claimant is entitled to a monthly benefit on more than one SSN. For example, a claimant entitled on her/his own SSN to retirement benefits and also on her/his deceased spouse's SSN. The benefits are usually combined in one check.

Edit.—An input control technique used to detect input data which are inaccurate, incomplete, or unreasonable. This function can be performed either manually or by computer either before or during regular processing.

Electronic accounting machine (EAM).—SSA's name for a semiautomated claims processing method. Electronic accounting machines are not used by SSA for this process. Manual calculations are performed for dates of entitlement and primary in-

surance amounts. This information plus basic identity and entitlement factors are entered into the awards processing operations.

Eligibility.—When a claimant meets entitlement factors for the specific type of benefit for which they are filing (e.g., age).

Entitlement.—When an eligible claimant applies for benefits to which entitled by law. Entitlement is usually used in the context of claims that have already been processed and the beneficiary is established on the MBR.

Immediate payment critical case system (IMPACC).—SSA field, PSC, and headquarters offices use this system for expediting benefit payment delayed in processing and resulting in beneficiary hardship. IMPACC transactions override all existing controls in SSA's basic claims payment systems. IMPACC amounts and dates are not updated to the MBR. They are stored on a separate data base.

Initial claim.—The first claim for monthly benefits or a lump-sum death payment on an individual SSN.

Magnetic disk.—A flat circular plate with a magnetic surface layer. Synonymous with disk.

Magnetic tape.—Refers to a tape made by Mylar or other plastic, coated or impregnated with magnetic material, on which alphabetic or numeric characters can be represented in code form by means of magnetized areas.

Manual adjustments, credits, and awards process (MADCAP).—A semiautomated system used by SSA to process all RSDI and postentitlement transactions that cannot be handled by other automated systems.

Master beneficiary record (MBR).—A file containing master records for persons receiving title II benefits and also persons in nonpay status who have been terminated or suspended. Payments issued by the IMPACC process are not recorded in this file.

One-check-only A- (OCO A-).—A mechanism by which a one-time-only title II payment may be initiated by individuals within the PSC's. These payments are not processed through the title II automated payment system.

Online editing.—The mechanism designed into a computerized system which immediately verifies data entered into the system and returns exception messages to the originating office, thereby allowing immediate correction and proper entry of data.

PE applications programs.—Individual processes within the title II computer payment system. Each process is responsible for handling a specific type of input (e.g., manually prepared actions would enter the MADCAP application program) and would validate the data and prepare a record to either accrete data to, change data on, or delete from the MBR.

Postentitlement.—The term used to describe events and actions which occur subsequent to an individual's entitlement to benefits which necessitate adjustments and changed to SSA records.

Postentitlement daily update operation (PRDUO).—The process within the postentitlement scheduling operations that validates and applies change transactions to the MBR.

Postentitlement update tape.—The tape files produced by the various PE programs containing changed information for updating to the MBR.

Postentitlement scheduling operation (PESO).—A subsystem which updates the MBR to reflect changes in beneficiary status. All automated actions are delivered to PESO, and PESO in turn delivers data to the MBR search operations, the object programs, the regular transcript update operation, Treasury, and all other systems which interface with MBR data base. It also validates and updates the incoming transactions to the MBR and orbits this updated MBR until the regular transcript update operation occurs. PESO maintains MBR's that have had changes within the current operating month and update them two to three times a week.

Primary insurance amount (PIA).—The basic unreduced benefit computed using the record holder's reported earnings that usually flows from the worker's average monthly wage.

Programable magnetic tape terminal (PMTT).—A high speed batch processing telecommunications facility which links DOC's, PSC's, and other facilities with central office. It is used only for tape transmissions as opposed to single transactions.

Recovery of overpayments, accounting, and reporting system (ROAR).—An automated system for the recording and controlling RSDI overpayment recovery efforts. Statistical and accounting reports are prepared to reflect overpayment and recovery efforts.

Social Security Administration claims control system (SSACCS).—A system which monitors claims processed through CAPS, EAM, and MADCAP. Each claim is moni-

tored from the time of filing until adjudication is completed. SSACCS also maintains an interface function with the RSI case control system.

Attachment III

Implementation of the Student, SSI-Offset, and Rounding Legislative Provisions and Their Impact on Field Office Operations

STUDENT PROVISION OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981

This provision, section 2210(c) of Public Law 97-35, eliminated new benefits for child beneficiaries 18 or older in postsecondary school and 19 or older in elementary or secondary school effective May 1, 1982. However, students 18 or older who were entitled to a child's benefit in August 1981, and who began postsecondary school before May 1982, will continue to receive benefits. The students meeting this definition are phaseout students.

The amount of the phaseout students' benefits will not be adjusted for changes in the cost of living after August 1981. Beginning in 1982, no benefits are payable to them during the months of May through August (called the summer suspension period), and the benefits will be reduced each year by 25 percent of the August 1981 amount. The phaseout benefits will continue until the student reaches age 22, discontinues his/her education, or for some other reason ceases to qualify. But in no case will phaseout benefits continue beyond July 1985.

On the other hand, there are students classified as nonphaseout students. A nonphaseout student is any student who is not eligible as a phaseout student. Effective August 1982, all nonphaseout students' benefits were to terminate at age 19 instead of age 22. Implementation of the student provision occurred by the effective date with automated support. However, extensive manual intervention was required. This need for manual intervention created massive workloads for SSA's processing service centers which caused the PSC's to delay other workloads. The field offices also had to cope with instructions from several sources that involved clarifications, corrections or changes, and late training. According to field and regional office officials, it was difficult to understand the student provision and its effect on payments to students. Thus, explaining how and why the student benefit changed and how others are affected when a family maximum was involved was frustrating.

The problems encountered in implementing this provision resulted in some students benefits that were: (1) Late in being terminated, (2) late in being reinstated after they were suspended during the summer, and (3) late in being redistributed to other entitled auxiliary beneficiaries on the same workers' account during the summer suspension period. Notices to inform the auxiliary beneficiary that their benefits were being increased for the summer were also incorrect.

SSI OFFSET PROVISION OF THE DISABILITY AMENDMENTS OF 1980

When a person filed applications with the Social Security Administration (SSA) for both Social Security Act title II retirement, survivors, and disability insurance (RSDI) and title XVI supplemental security income (SSI) (including State supplemental) benefits, a delay in the payment of RSDI benefits could have resulted in the payment of SSI benefits that would not have been paid had the RSDI been paid when regularly due. When SSA paid the RSDI beneficiary, the payment was for full payment of all past due months of entitlement regardless of whether the person received SSI for these months. In effect these individuals received a "windfall" payment because they received full RSDI and SSI benefits for the same period.

To prevent these windfalls payments, section 501 of Public Law 96-265 requires SSA to offset RSDI payments if a person received SSI for the same period. The amount of the offset equals the SSI benefits that would not have been paid if SSA had paid RSDI when due, rather than retroactively.

To implement the SSI-offset provision, SSA installed a semiautomated process. This process is manually oriented with limited systems involvement. Manual processing substantially increased the payment error rates for these cases. The time required to process RSDI cases subject to offset averaged about 2 hours with 1 hour required to do the manual computations. Enactment of retrospective monthly accounting further complicated and lengthened offset processing by increasing the number of calculations. The long processing times contributed to substantial backlogs of offset cases waiting to be processed.

The operating instructions that were distributed to field offices came from several sources, were unclear, incorrect, and untimely. These problems contributed to the field offices incorrectly routing offset cases. The training provided to those person-

nel who processed offset cases was not timely and lacked sufficient detail on the SSI program. This caused errors to those RSDI cases whose payments were adjusted for SSI offset amounts. Field office officials also indicated that its staff failed to identify RSDI cases subject to offset because a lack of understanding of the offset process.

ROUNDING PROVISION OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981

This provision, section 2206 of Public Law 97-35, rounded benefit amounts down to the next multiple of 10 cents at each stage of computation or adjustment, and then down to the next dollar after making deductions, including the medical insurance (SMI) premium amount.

Under the act, rounding was to apply to all calculations and adjustments effective after August 1981. Since rounding had to be implemented for all calculations, SSA had to build rounding into its automated benefit system. SSA did not implement rounding until the June 1982 cost-of-living increase was put into effect. During the interim, an estimated $15 million in cost savings were lost.

Although automated, there was still the need for some manual computations. However, the computation and benefit tables that are used a check on manual calculations were late in being distributed.

When rounding was implemented, it caused a large interviewing workload. Beneficiaries did not understand what happened to their benefit checks.

A problem with rounding had been identified by the staff in one region. The title II rounding provision causes some SSI recipients to have alternating months of eligibility and ineligibility because of the way SSA determines countable income when there is a supplemental medical insurance premium. A memorandum from the central office to the regional office said that all regional commissioners would be advised of SSA's plans when a decision on how to revise the policy is made.

Chairman HEINZ. Mr. Delfico, you brought those charts with you, and I just want to inform Senator Percy, who I will yield to in just a few seconds, because he has an engagement, that you are going to explain the simple, easy-to-understand, straightforward nature of those charts and routines, and sub-routines, and sub-sub-routines, and all the other sub-sub-sub-routines that are not up there. I just simply want to take this opportunity to thank the General Accounting Office, and particularly you, Mr. Delfico, and your assistants who are with you, for an extraordinarily fine effort that you have made to examine the problem in great depth, with great understanding. We would not be able to have as meaningful a hearing, and I think it is quite a good hearing indeed, one of the best I have been privileged to be involved with, and I think your findings will not only be invaluable, but will be of great interest to all Members of Congress. I think you are quite right to point out that Congress is part of the problem, too. I would not underemphasize that at all. I think it is very important that we recognize that we are part of the problem.

As Pogo said, "We have met the enemy, and it is us."

Senator Percy.

Senator PERCY. Mr. Delfico, I would like to add my comment to that. As I have said a number of times, I do not know how the Congress could ever operate without GAO. We simply do not have the resources. When we have a problem of this kind that persists, we must be able to have an independent organization, such as GAO, that we have confidence in and respect, to come in and study the problem. It is extraordinarily reassuring and helpful to us. The stories on the GAO report were big in Illinois—every paper that I saw carried major stories on the revelations of this study. It informed a lot of people that errors in the system are there, that mistakes are not all the beneficiaries' fault, and that they probably should persist in trying to straighten out the errors.

Your study is most enlightening. In your remarks, you stated that, "The work which must be processed manually by SSA employees has increased," and it certainly has. There is no question that manual processing tends to be more costly, time consuming, and error prone.

Can an updated computer system be expected to eliminate manual processing altogether, however?

Mr. DELFICO. I do not think it can be expected to eliminate it altogether, but it sure can eliminate a good portion of it, and I think with the implementation of the new computer system, we will see that many of the errors we noted in our work will decrease. I think there is about a 3-to-1 ratio in error rates between the manual and computer processes.

Senator PERCY. Well, what percentage of total calculations can reasonably be expected to be automated in, say, the next 5 or 10 years?

Mr. DELFICO. I do not think we know at this time what can, without a thorough investigation of what the program is going to attack. I do think we will have to live with a number of manual computations for quite a long time.

Senator PERCY. You pointed out that staffing problems can impede SSA's progress, and of course, that of other agencies as well. Do you believe that staffing problems, including hiring freezes and recruitment difficulties, have made a major impact on the ability of SSA to carry out its responsibilities, or do you feel that the primary problem lies elsewhere, such as in outdated manual systems or computer systems?

Mr. DELFICO. I think it is a little of both. I think the staffing problems will emerge over the long run. The computer systems problems are the most apparent now. They are the ones that we feel need to be worked on in the near term, and I think SSA is doing an adequate job in that area. The staffing problems are the ones that concern us in the long run, though.

Senator PERCY. Thank you very much indeed. I appreciate it.

Thank you, Senator.

Chairman HEINZ. Senator Percy, thank you. We are delighted to have you here, and we hope that if you are able to complete and transact your business, you can return.

Senator PERCY. Thank you very much.

Chairman HEINZ. Mr. Delfico, in your testimony, you mentioned that the study of 208 cases over an average of 5 years reflected the quality of one key element of SSA's service to the public because it looked at the probability of error over a long period of time.

The Commissioner earlier expressed her commitment to improving the quality of public service. Would you recommend to her that SSA add this type of survey to the quality assurance work they normally do as a way of measuring public service?

Mr. DELFICO. Yes; I think they should. It does give another perspective of the error rates. It looks at the error rates on an individual person basis rather than on a transaction basis. SSA has quite a complex operation that does look at error rates, but primarily on a transaction basis every 6 months. We don't have a problem with that approach. We think it is a good idea, and our approach would be a good complement to their current methods.

Chairman HEINZ. You would recommend that to SSA?

Mr. DELFICO. Yes.

Chairman HEINZ. On another subject, you mentioned the poor quality of field office instructions that go into the program operating manuals, and I think we can all see the tremendous volume of instructions received. What, in your opinion, can SSA do, if anything, to improve the quality and reduce the volume of those instructions?

Mr. DELFICO. In reducing the volume, I think the key is program simplification, which is a very complex area. The volume of instructions is a function of the complexity of the programs that they explain. Program simplification is something that I think will take quite some time to do.

Chairman HEINZ. Maybe at this point it would not be a bad idea, when we are talking about program simplification, to ask you to explain some of the charts that you have brought along.

What do we have here?

Mr. DELFICO. Mr. Chairman, David Kent put the charts together, and he is prepared to explain them.

Chairman HEINZ. Mr. Kent.

Mr. KENT. Thank you, Mr. Chairman.

Very briefly, chart 1 is a simplified representation of the retirement and survivors, insurance automated and manual process——

Chairman HEINZ. Now, that is the simple, old-fashioned, retirement income program, OASI, just old age and survivors insurance?

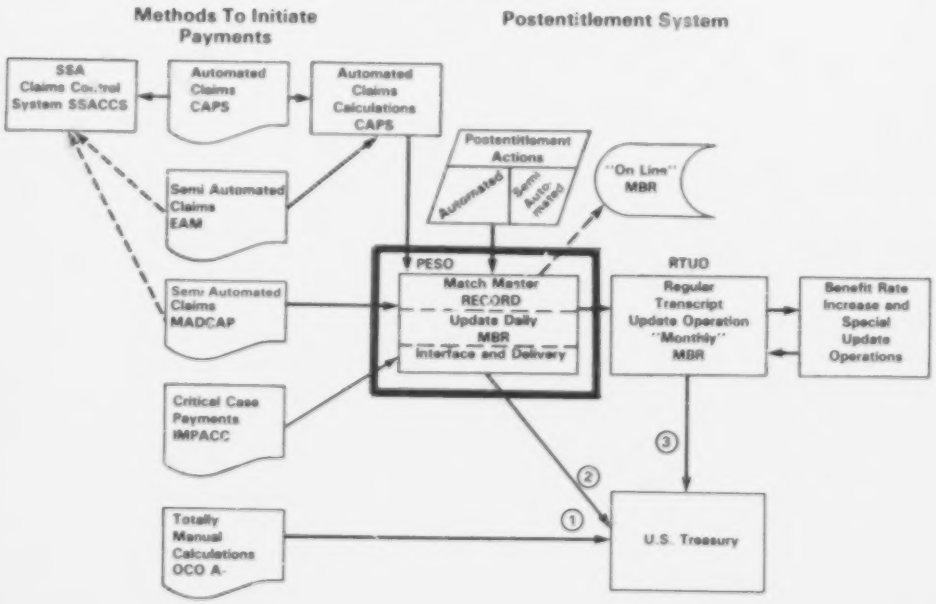
Mr. KENT. That is correct.

Chairman HEINZ. The one we have had since 1935.

CHART 1

Exhibit B

RSI AUTOMATED AND MANUAL PROCESSES

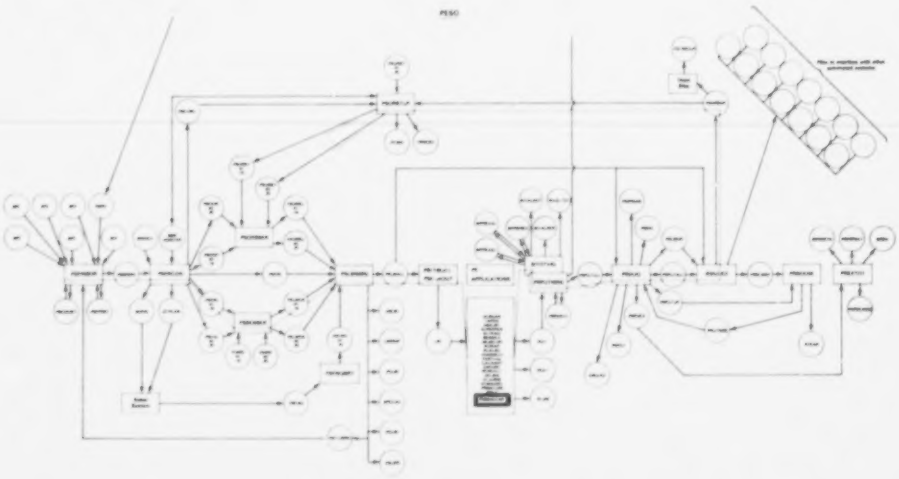


Mr. KENT. That is correct. We have not included here the disability insurance program, SSI, black lung, or any of the other programs SSA administers. Those operations would be in addition to what is represented on these charts.

What we have tried to do in these charts, to illustrate in a rather graphic way the complexity of the program, is to depict the flow of retirement and survivors transactions down to several levels of detail. I call your attention to this middle box here with the red square around it on chart 1, which represents that part of the overall process that handles postentitlement transactions. That box actually breaks down into what you see here on chart 2.

Chairman HEINZ. So, everything that is on the second chart is contained in that little red square.

CHART 2



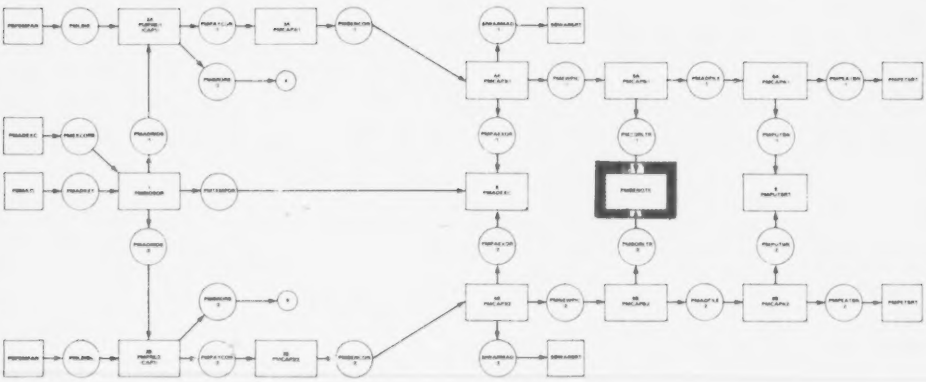
Mr. KENT. That is correct.

Now, moving to chart 2, this box here in the middle represents the 26, I believe, different application programs that actually process postentitlement transactions. One of those programs is called MADCAP, which stands for manual adjustments, credits, and awards process, and we have placed another little red square around that.

Chairman HEINZ. Before you move on and explain what that is, I would only observe that that has all the simplicity of the oil refinery complex in Houston and Galveston, combined.

CHART 3

MADCAP AND SUPPORT OPERATIONS



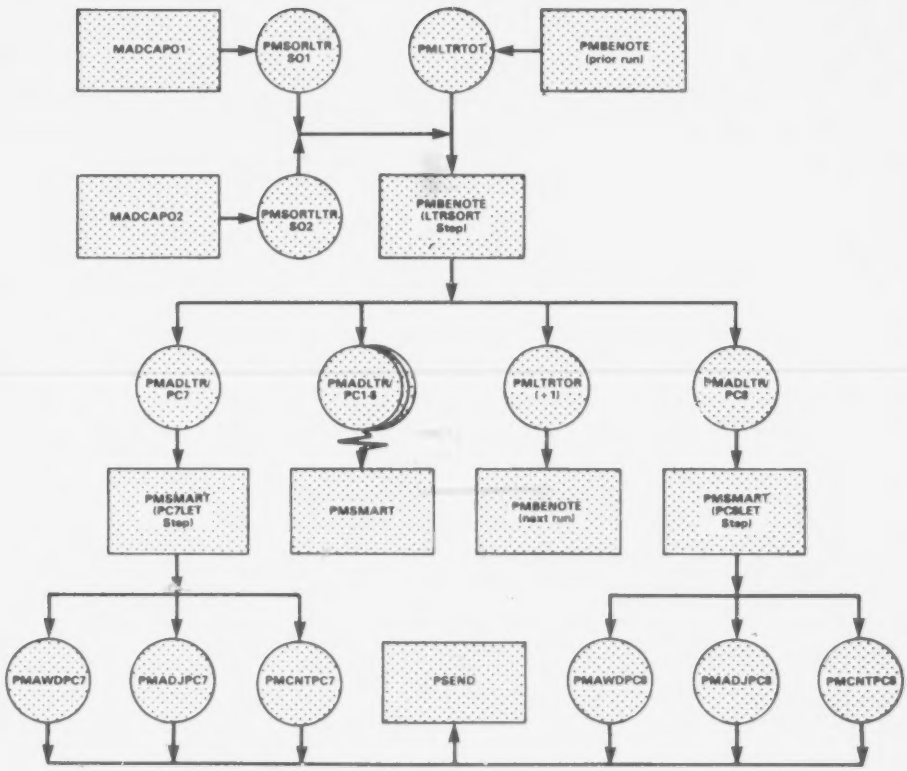
Mr. KENT. I cannot add anything to that.

One of the 26 applicatons programs in here, MADCAP, is represented by the left side, of chart 3, which shows only the automated portion of MADCAP, I might add. There are numerous manual calculations that interact at various points along the stream, but this chart side of this chart represents only the automated part. Again, we have drawn a little square around one box which represents one of many processing modules within MADCAP. The details of that module are reflected in chart 4.

Chairman HEINZ. Now, looking at one of those processing elements on chart 4, how much of that set of operating manuals would describe one of those other little boxes or squares that you have on the chart? Is there a simple, one-page explanation to explain what somebody or some machine has to do for each of those operations on that chart?

CHART 4

PMBENOTE OPERATION



Mr. KENT. I cannot address that question specifically. I think it is fair to say that it would be substantially more than one page.

Chairman HEINZ. For each of those little elements on that chart.

Mr. KENT. Yes.

Chairman HEINZ. I think that graphically illustrates the nature of this beast. It is a beast that makes a centipede look like it has one leg.

Mr. KENT. Thank you, Mr Chairman.

Chairman HEINZ. Thank you very much.

Mr. Delfico, now that we have had this graphically illustrated, you say there are some things we can do to simplify this?

Mr. DELFICO. I think it is going to take quite a while to do that. There are ways we can automate part of it, I would suspect, and that would reduce some of the complexity. But again, the complexity of what you see there is a direct function of the programs that the Social Security Administration has to manage, and the provisions in law are basically what drives that complexity.

Chairman HEINZ. Senator Percy asked you about hiring freezes and employment limitations and the extent to which they have

been a problem, and you said that they had been part of the problem.

Let me ask you specifically, what kinds of positions have been affected by the shortages created?

Mr. DELFICO. Mr. Rosensteel has done an analysis of that problem, and maybe he could address that question, Mr. Chairman.

Chairman HEINZ. Mr. Rosensteel.

Mr. ROSENSTEEL. In the past, the agency has had shortages in the area of ADP personnel.

Chairman HEINZ. The automatic data processing.

Mr. ROSENSTEEL. Automatic data processing. And where they have had shortages along the lines of claims representatives or service representatives, we do not know at this point in time.

Chairman HEINZ. And what has been the effect of the shortages of those kinds of people on the service being provided to beneficiaries?

Mr. ROSENSTEEL. When you say "those kinds of people," you mean in the area of claims representatives?

Chairman HEINZ. Yes, the people where there have been shortages.

Mr. ROSENSTEEL. In our visits to the field offices, we have talked to quite a few of the claims representatives in looking at several provisions of law in 1981, and through our discussions, most of the people out there would not go on record to say that the public service has deteriorated; they will provide anecdotal evidence, but they do not want to be quoted on it. And we have not really documented at this point in time how public service——

Chairman HEINZ. Have you taken off-the-record testimony?

Mr. ROSENSTEEL. We have some off-the-record testimony.

Chairman HEINZ. I do not know if it is fair to ask this question but, based on the preponderance of off-the-record testimony which you deem to be credible, is there anything you can tell us?

Mr. ROSENSTEEL. Not at this point in time.

Chairman HEINZ. All right

Mr. ROSENSTEEL. It would be just documented conjecture, I think, at this point in time.

Chairman HEINZ. Very well.

To what extent is SSA using overtime, paying time and a half, to make up for these staff shortages?

Mr. ROSENSTEEL. I do not know.

Mr. DELFICO. I do not think we looked at that.

Mr. ROSENSTEEL. We have not looked at that. SSA has used overtime in the past. In talking with some of the agency officials, they are somewhat reluctant to want to use overtime, because error rates tend to go up and morale declines when there is an increase in overtime. However, the Departments, HHS and OMB, have in the past favored meeting the work requirements through the use of overtime as opposed to giving increased positions in the budget.

Chairman HEINZ. But you have no specific statistics on overtime.

Mr. ROSENSTEEL. Not at this point in time.

Chairman HEINZ. All right.

Well, gentlemen, I do thank you for your testimony. I think that both your oral and written statements, plus the visual presentation you have made, go a long way to explaining to the committee and

all those who read our report, as I am sure many will, about the nature and complexity of this problem. We are deeply indebted to you, and we thank you very much.

Mr. DELFICO. Thank you, Mr. Chairman.

Chairman HEINZ. Our next panel consists of John Harris, a claims representative of the Social Security Administration. He is accompanied by Chris Sigler, Thomas Wachter, Kris Kramer, and Barbara Lawson.

Ladies and gentlemen, please identify yourselves for the record, and I will ask Mr. Harris to be the first leadoff witness of this distinguished group.

STATEMENT OF JOHN D. HARRIS, ST. PAUL, MINN., CLAIMS REPRESENTATIVE, SOCIAL SECURITY ADMINISTRATION, AND PAST PRESIDENT, NATIONAL COUNCIL OF SOCIAL SECURITY FIELD OPERATIONS LOCALS, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. HARRIS. Thank you, Senator.

My name is John Harris. I am currently a claims representative at Social Security in St. Paul, Minn., and I am a past president of the National Council of Social Security Field Operations Locals.

To my far left is Chris Sigler, who is the president of our local for the State of Ohio, 3448.

Tom.

Mr. WACHTER. My name is Tom Wachter, and I am the regional vice president for the National Council of SSA Field Operations Locals in the Philadelphia region.

Ms. KRAMER. My name is Kris Kramer. I am president of local 3231, which covers most of the Pennsylvania offices.

Ms. LAWSON. My name is Barbara Lawson. I am the local president from San Diego, Calif.

Chairman HEINZ. We welcome you all.

Mr. Harris, please proceed.

Mr. HARRIS. Thank you, Senator.

I have a prepared statement, which I would like to have incorporated into the record. I would like to just briefly highlight it and then comment on some of the testimony that I have heard here today.

Chairman HEINZ. Without objection, your entire statement will be made a part of the record following your oral remarks.[1]

Mr. HARRIS. Senator, let me begin first with this axiom: "By law, each citizen is entitled, as an individual, to the benefits that are due to him." There is no legal authority to deprive a person of benefits, or timely payment, or justice, because of cost efficiency or administrative convenience. But such practices do occur; they are now a function of the policy and budgetary planning of the Social Security Administration and perhaps of the Government at large.

I do not believe that the Social Security management wants to do these things. I expect that they resort to such expediencies in order to preserve the greatest good for the greatest number, but their judgment has sometimes been poor, it seems to us, and now it

[1] See page 73.

seems that they have become so used to these practices that I wonder if they do them with any conscience.

At any rate, the law does not talk about the greatest good for the greatest number. The law speaks of individual rights. And that is why it is wrong to do such things as these.

It is wrong to name someone else to get the benefits for another even if for their own good, if we never inquire and seek assurance that those benefits are really being used for the beneficiary. But because of an administrative expedience to save on human resources, we have not accounted for the use of benefits by representative payees for over 4 years.

It is wrong to deliberately delay payments of disability benefits because it is cost efficient for the administration. But that was begun in June 1982, and continues because again, there were insufficient resources to pay them promptly. It is wrong to shortchange beneficiaries, even if we do it so that we can pay them faster. But since August 1979, we have not reviewed the complete earnings records of applicants for survivors and retirement benefits and no longer correct the errors we used to find. We use an abbreviated earnings record, one that can be transmitted instantaneously by computer, so that the benefit, although smaller, and inaccurate, comes much more quickly than ever before. Because there are undiscovered gaps in such earnings records, in perhaps as many as 10 percent of all claims, benefits to these applicants may be as much as $30 to $60 less every month.

These, Senator, are examples of the kinds of errors that go undetected in social security. They are not being sought after, and they are not being corrected, and we are speaking in this instance of perhaps 300,000 to 400,000 people who have been shortchanged over the last several years.

Expedients such as these are adopted because of an administration in continuous crisis. In what GAO is calling the operating environment, this state of continuous crisis causes struggles for SSA's extremely limited resources, both workers' and computer time. And this struggle in the end leads to more administrative expediences as one program or operation is sacrificed for another.

Rather than, I think, detailing the example that I give in my testimony of a recent chain of events, let me then respond to some of what I have heard today in light of this whole problem of administrative expedience.

The Commissioner, Mrs. McSteen, spoke of computer problems, rather than what we in the union view as people problems. We think the problem with public service is not one which is because of the computer. We do not think that, therefore, it can be solved by the computer. We think that they are people problems that require people solutions. Automatic automation will not reduce error, will not provide better service to the public, in our opinion. The problem is, in our view, simply that there are not enough people to do the job as well as it should be done. We will be continuing to see cutbacks in the kinds of service that need to be given to the American people, so long as we do not deal with that head on.

In the case involving Mrs. Williams of an incorrect date of death, for example, and the automatic withdrawal of benefits, there is in part a legal question, which can be solved by legislation. One could

say simply that it is wrong, and could pass law to say that it shall not be done to have these benefits pulled back from a bank account. But there is a more simple solution, which is that when we make an input to the computer system, showing that somebody is dead, we could have that computer give us a message back, telling us what that input was. That is not done now, that kind of turnaround document is not being done on crucial computer actions, such as terminations or suspensions of benefits.

In the case involving Mr. Badgero, we suspect that it was not really a computer problem, and it was probably not a keypunch error, as you suspected. We believe that probably what occurred in his case was that his social security number was inadvertently interfaced with a State listing of deceased people—something that recently the Social Security Administration started to do—and he unfortunately got pulled up for the wrong lottery, if you will, and got determined to be dead and then overpaid. Again, there was no doublecheck, no quality assurance. There is not any because that is labor intensive, and it always will be, and because we do not have enough people to do that kind of work, it is not being done.

In the case of Mr. Welch, the case discussed regarding Mr. Freeland, a couple of things come to mind. For one thing, we are talking about an overpayment that had been settled, so everyone had thought, and then resurrected. That is in part the problem of changing the political leadership of this administration. Instead of the administration being run by professionals who have that kind of continuity that you would expect in a good, first-class management, you have constant changes with new initiatives. We had a new initiative called debt management. The new initiative required us to go back and look at overpayments that we had previously settled before. In Mr. Freeland's case, we went back on an overpayment that had been compromised and tried to collect the amount of money that previously we said he need not pay to us. Also related to that is the whole issue of the overpayment process. We have adopted a number of expedients in the processing of overpayments that affected Mr. Freeland and affected Mr. Nieberline, such as withholding 100 percent of people's benefits, where previously, we withheld no more than 25 percent. We used to routinely process requests for waivers from people when they expressed dissatisfaction with overpayments. Now, we are told not to do that, that the emphasis ought to be on cash collection instead of forgiveness.

Finally, there is the problem of Mr. Nieberline himself, and I think on behalf of the workers, I would like to apologize for whatever he felt was bad treatment. I know the frustration, anger, and helplessness that these people feel is shared by the workers.

Mr. Nieberline's problem really begins with Congress, as you mentioned earlier yourself. There was a change in the earnings test in 1977, which would have deprived all people of benefits based on a so-called monthly earnings test. That was found to have a very adverse effect, particularly on farmers. Congress said they were not aware of that. Congress had asked Social Security about whether there would be such an impact, and they were not told about it. After they discovered the impact, they changed the law again in 1980. In the course of making that change in 1980, the way the amendment was written caused the problem that Mr. Nie-

berline faced where: Even though he was earning very small amounts, he was going to have his entire benefit withheld for those months.

The point of mentioning that is that I think often, when Social Security makes changes, and when the Congress makes changes, we are not aware of the impact they are going to have, and there must be some kind of mechanism to be aware of the impact before we finalize our decision.

In general, and to summarize, I think that the Social Security Administration is not fulfilling its mission, which is to pay the right person the right amount at the right time, and I think that that has occurred not because of computer errors or because of the ill will of men and women who are trying to do a good job, but simply because we have had to take shortcuts and continue to take shortcuts against the public's best interests.

Thank you.

Chairman HEINZ. Mr. Harris, thank you.

[The prepared statement of Mr. Harris follows:]

PREPARED STATEMENT OF JOHN HARRIS

Mr. Chairman, my name is John Harris. I am a claims representative for the Social Security Administration in St. Paul, Minn., where I have worked for 8 years. During 4 of those years, and until recently, I was also president of the National Council of Social Security Field Operations Locals which is the union representing over 1,000 field offices of Social Security.

Today, I appear on behalf of the American Federation of Government Employees, to which that union belongs, and which hold the recognition for more than 72,000 Social Security workers across the Nation. Appearing with me is a panel of union officials who represent Social Security workers in Pennsylvania, Ohio, and California, and are also Social Security workers like myself.

We are encouraged that you are holding this hearing on the problems of public service in the Social Security Administration. We have testified to Congress many times for many years about such problems. Yours is the first committee that has made such special effort to look at that problem. We are well aware of your work to improve the Social Security Administration and we are grateful for that, especially your commitment to establish Social Security as an independent agency. We are grateful, too, for your invitation to express our concerns about public service, and we promise to help you in any way we can as you seek solutions to these problems.

You have asked us to comment on the quality of public service in Social Security. You might have observed that we are relatively young employees; most of us have about 10 years of service with the Federal Government. It is difficult for us to know, therefore, whether the current state is worse than it ever was or whether the problems of which we shall speak may be almost institutional.

But we are worried nonetheless that what we see in Social Security continue; we see it corrupting the way we do business; we see it affecting democracy.

Essentially the deterioration of public service in Social Security is the erosion of the rights of individual citizens. By law each citizen is entitled as an individual to the benefits that are due to him. There is no legal authority to deprive a person of benefits or timely payment or justice because of cost/efficiency or administrative convenience.

But such practices do occur; they are now a function of policy and budgetary planning; they are a feature of modern government, it would seem.

I do not believe that management wants to do these things. I suspect that they resort to such expediences in order to preserve the greatest good for the greatest number. But their judgment has sometimes been poor, and now it seems they have become so used to these practices that I wonder if they do them with any conscience.

At any rate the law does not talk about "the greatest good for the greatest number." It speaks of individual rights.

That is why it is wrong to do such things as these:

It is wrong to name someone else to get the benefits for another, even if for their own good, if we never inquire and seek assurance that the benefits are really being

used for the beneficiary. We have not accounted for the use of benefits by representative payees for over 4 years. A Federal judge has recently ordered Social Security to resume accounting procedures and Social Security is wondering whether a random sample will suffice. We stopped accountings because we didn't have the people to do the job.

It is wrong to deliberately delay payments of disability benefits because it is cost efficient for the administration. But that was begun in June 1982, and continues because, again, there are insufficient resources. It has been justified by the wisdom that most claims are denied anyway so there is no harm. But are not those who are allowed benefits also the public we serve?

It is wrong to shortchange beneficiaries even if we do it so we can pay them faster. But since August 1979, we have not reviewed the complete earnings records of applicants for retirement and surviviors benefits and no longer correct the errors we used to find. We use an abbreviated earnings record, one that can be transmitted instantaneously by computer, so that the benefit—although smaller—comes much more quickly than ever before. Because there are undiscovered gaps in such earnings records, in perhaps as many as 10 percent of all claims, benefits to these applicants may be as much as $30 to $60 less every month.

Some adminstrative expedients have cost the trust funds, rather than the beneficiary—although, of course in the long run, these overpayments will cost them too.

So, for example, the recent purge of disabled beneficiaries owes its origin to the decision to stop continuing disability investigations and medical reviews in 1974-76 because of insufficient resources. That mistake then led to prevalent fears that social security disability rolls were populated with unworthy recipients whose cases were never reviewed and thence to the Disability Amendments of 1980 which require periodic reviews for everyone. That administrative expediency has had a double penalty—for not only were there some whose disability had ceased and whose benefits should have stopped, and, therefore, had been overpaid for many years; there have also been the many tens of thousands of innocent victims of the zeal to stop the benefits of the undeserving.

In another example is the ill-fated student benefit program. One of the motivating reasons for the termination of that program was that it was allegedly error prone and costly with overpayments. Much of that, however, was the fault of administrative expedients. In order to save its resources, Social Security several times stopped verification of school attendance needed to assured themselves of large overpayments. The most recent instance was from 1978 to 1981, in the years immediately preceding the termination of the program. I wonder if it had been better managed, would Congress have given it more favor; it had been afterall singularly successful in its purpose as an aid to education.

Expedients such as these are adopted because of an administration in continual crisis. Social Security has been operating in a state of crisis and confusion since the inception of black lung benefits and supplemental security income in the early 1970's. Successive unnecessary and incoherent reorganizations, the sweeping politicalization of management, instable executive leadership, a perennial cycle of complex legislative changes, and an unrelenting assault of litigation have compound the difficulty of meeting these crises and added to them. The troubled computer systems are themselves a victim of these conditions and their disabilities have made matters worse and sometimes impossible.

Much of the time it is the computer we serve and not the public. In fact, in a fundamental way, the quality of service is directly limited by the computer and there is literally nothing we can do about it. It is built into the computer systems, for example, that most reports of changes of address or events affecting payments will not be processed in time to get the next check corrected.

In what GAO is calling the "operating environment" this state of continual crisis causes struggles for SSA's extremely limited resources—both workers and computer time. And this struggle in the end leads to more administrative expediencies as one program or operation is sacrificed for another.

The contest for computer time frequently forces cancellations in basic computational runs, delaying initial claims and postentitlement changes, causing both overpayments and underpayments on a massive scale.

The continual shifting of workers to and fro from crisis to crisis seems to create a perpetual motion and perhaps exacerbates the original crises and clearly leads to new ones.

Consider this chain of events in recent years.

Not having enough workers to post wages to earnings records in 1978-79 caused backlogs and delays in crediting earnings for benefits for 4 years; beneficiaries were disadvantaged by as much as $50 per month in benefits. These delays were com-

pounded by systems problems which themselves were the result of other crises. Finally, a Congress angered about these delays prompted Social Security into a dramatic and labor-intensive decision and the backlogs of these uncredited earnings and the recomputation of benefits became a No. 1 priority in the payment centers during 1982-83. To do this workers were pulled away from claims adjudication and other postentitlement work for months and so for months and months claims and other work was delayed. During this same period SSA was engaged in its so-called "debt management" initiative; workers were also pulled from claims and other work to do this.

The overpayment notices which they sent out generated, of course, more public contact in field offices. Most of the time these notices are incomplete and do not explain the cause of the overpayment with which the beneficiary is being charged. So field employees have written to the payment centers for explanations, in record numbers, it was said. But because those who would normally respond to such inquiries were busy writing overpayment notices and recomputing benefits, there was no one to answer them. At one point the backlogs were so severe that SSA issued an order to field offices not to write to the payment centers. Today, commonly a second inquiry and even a third is needed, keeping beneficiaries waiting up to 3 months for a reply, and overpayment notices continue to be typically incomprehensible.

Social Security did attempt to meet the demands of this work by hiring new workers. But they did this by reducing staffing allowances in field offices. Because that left shortages in workers there, SSA adopted administrative expedients, such as defering the development of disability claims mentioned before. They also postponed the redetermination of SSI benefits, or in other cases, abbreviated them—asking fewer questions, in other words, and do them by mail. This wasn't the first time. Redeterminations of SSI recipients have been cut back or abbreviated several times. Of course overpayments result from this expedient and it is hard to find the SSI recipient at fault under these circumstances, especially since so many are very elderly, mentally ill, or mentally retarded. A week ago I was myself obliged to notify a 99½-year-old woman that she had been overpaid for most of the 2 years since we last had conducted a redetermination. She was overpaid thousands of dollars.

A chain of events such as these illustrate the turmoil of the workplace. The goals and objectives of management seem everchanging and they are never realistic. They never seem based on our real resources. Moreover they add to the burden of the river of instructural changes which are so numerous and frequent that the typical employee cannot keep up with them. (This factor more than any other is the cause of errors committed by workers who are otherwise conscientious and expert.)

When asked to describe the workplace in a management survey a few years ago, SSA filed employees said that the two words which mostly aptly expressed their job were "endless" and "frustrating." In another study, conducted by the University of California at the request of SSA, the typical field office employee was found to be "emotionally exhausted beyond a tolerable degree," or, in short, burned out. But, according to that study, the extraordinary commitment to the public, the sense of accomplishment at helping other people, kept these otherwise exhausted workers from lapsing into symptoms of cynical indifference to the public—at least at that time. But it takes its toll in other ways. Employees quit. Employees get ill. Divorces increase. Alcoholism increases.

The singular underlying cause of all of this is that the Social Security Administration does not have the people and other resources it needs to do its job as well as it should be done. That is the reason that we shortchange beneficiaries, routinely delay benefits, and cannot answer inquiries promptly and satisfactorily.

I do not doubt that there have been some mistaken decisions by management, but by and large I cannot characterize management as incompetent. In truth, line management is suffering for this state of continual crisis as much as we are, and they are as dedicated and concerned for the mission of the agency as we. If we are to assign blame it lies at higher levels and it lies here also in Congress. It spans at least three Presidents and administrations of both political parties. It is not a political issue. It is a question of what you want from your government and what you are willing to pay.

Today, in the teleservice center of Fort Lauderdale, Fla., employees are told that they must answer 13 calls per hour or they will be fired. That gives the caller 4 minutes on the average in which to explain his or her problem and get a reply. You can imagine what this does to the worker and to the service that he is able to give.

I am told that the new management watchword for fiscal year 1984 will be "productivity." I am told that policies such as this one in Fort Lauderdale will be spreading around the country. Ironically at the same time SSA contemplates closing

teleservice centers because they are not cost efficient and shutting down hundreds of field offices because they are too costly.

Again, I find it hard to fault a management which feels compelled to take actions like these. Sometimes I doubt their judgment. I am disappointed in their lack of courage. But the decision of how good shall be the public service is made by the budgetary process—by OMB primarily, and by the appropriations of Congress.

You will find it is not easy to influence that process—even for a Senator in the party of the President. In the end, public service will improve only if the public wants it to. I hope that they are not so used to being treated like numbers that they have given up hope being treated like human beings and as citizens with individual rights.

Chairman HEINZ. Would Christine Sigler proceed next, please?

STATEMENT OF CHRISTINE SIGLER, BOWLING GREEN, OHIO, PRESIDENT, LOCAL 3448, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Ms. SIGLER. Mr. Chairman, my name is Christine Sigler, and I have worked as a claims representative for the Social Security Administration for the last 8 years. I am also president of the American Federation of Government Employees local that represents over 50 Social Security offices in Ohio.

In the last 2 to 3 years, our field offices have suffered such a staffing loss that some offices are operating with one-half as many claims representatives as they have had normally assigned. This results in excessive delays in the processing of claims.

In the Cleveland downtown office, for example, there are supplemental security income disability claims that were filed in September and December 1982, that are still not yet completed. These needy and disabled claimants are without their benefits because the claims representatives are unable to work on the claims because of the backlogs in their workloads caused by the staffing shortage. These claimants are forced to remain on horribly low welfare assistance payments, or to be without any income at all until our field offices are able to complete the work on their claims.

This agency has made it a priority in the last 2 years to review and terminate disability benefits to those beneficiaries determined to no longer meet the disability medical requirements. Unfortunately, the agency has not provided the field offices and the hearing offices with the necessary staff to expeditiously process the appeals and reinstatements that result from these disability terminations.

In the field offices, it is not uncommon to review a file in which the appeal was filed almost 1 year ago and the person's benefits have not yet been reinstated even though the appeal was favorable. It is taking up to 6 months to have the hearing held, with an additional 2 to 3 months for the hearing decision to be written up. It is then an additional 2 to 3 months before the person's benefits are reinstated by the field office or the payment center.

Again, in our Cleveland downtown office, we have several dozen supplemental security income hearing effectuations awaiting completion, some for over 3 months. They are awaiting completing actions by claims representatives who are unable to work on them because of other workloads they are required to process. In the meantime, these disabled supplemental security income claimants

are without their benefits, without the income that the administrative law judge has determined was justly due them all along.

At the same time that we have claimants like I just mentioned waiting for over 1 year for their disability benefits to begin or be reinstated because the field offices just do not have enough staff to do the work as expeditiously as it should be done, my coworkers and I are working on a priority workload—the collection of overpayments. The zeal in which we have been instructed by the agency to collect these overpayments is unmatched by any workload item I have ever worked on in my years with this agency. Last week, I spent over half an hour developing and sending a disabled supplemental security income beneficiary an overpayment letter that told her she was overpaid $5 because she worked and made a few extra dollars as a cleaning lady. The cost effectiveness of such actions like this is nonexistent. But more importantly, the emphasis on this type of work takes our workers away from the other work they have to do, and is an injustice to the beneficiary.

The agency has tried to cut back on the work that we have to do by changing the documentation requirements and processing guidelines that we use. But these shortcuts initiated to cut back on the work and ultimately decrease staffing and save money, will cause overpayments that will have to be dealt with in a few years. Evidence of this is seen in the abbreviated redeterminations we are doing this year for supplemental security income beneficiaries. These short redeterminations do not always uncover changes in living arrangements and resources and will cause the beneficiaries to be overpaid for a year or two, until the agency decides once again to do full development.

Disability claims are taking 30 to 60 days longer to process because the agency has instituted deferred development procedures. This means we do not fully develop factors of entitlement and discrepancies until after the claimant has been determined to be disabled. This results in added processing time, making the claimants wait longer for their money. This was started in order to save the agency time and ultimately money in cases in which the claimant was medically disallowed. Unfortunately, it also affects those claimants who are found to be disabled also.

The era of easily accessible public service is soon to end in the Social Security Administration. Already the agency has stopped accepting collect long-distance calls from claimants, including the poor on supplemental security income benefits. This cutback in public service impacts heavily on the large rural areas of my State, where field offices are often 60 to 100 miles apart, and forces the poor and elderly to pay for a service that we formerly offered them for free. Now, toll-free telephone service is being cut back, and there is also a mo to close down all teleservice centers in an effort to save money.

In the 6-State Chicago region, which covers Ohio, Michigan, Illinois, Indiana, Wisconsin, and Minnesota, the regional commission had a study done in late 1982 to gather information regarding the closing of 40 branch offices, which is one-sixth of the offices in the region, in order to save money and reduce and reapportion staffing. Closing these offices would result in claimants having to drive 60 to 100 miles one way to a field office, rather than 20 or 30 miles. Con-

tact stations, open 1 day a week in satellite locations, are being closed in an effort to improve cost effectiveness. Claimants will again be forced to drive many miles or make use of long-distance telephone calls to get service from a social security office.

The workers in the field offices which I represent are frustrated and confused. Their work priorities are changed by management almost monthly. Processing goals are set that are unreasonable and unattainable considering the heavy workloads, the everchanging operating instructions, and the reshifting of priorities. The workers are prevented from working on the most pressing work because there are too few people to process too much work. One office in Ohio was reduced to one clerk-typist from the five that they normally require. Claims representatives are doing clerical work in order to get at least some of the work done, thus reducing the time they have available to do the claims work that they were trained and hired to do.

The push is on by management to get the work done, but the work is not getting done. It is not getting done because of our decreased staffing, and it is not getting done in the proper manner or in the correct priority because of the constantly changing operating policies and the reshifting of workloads when priorities are reshuffled.

We are not paying the neediest claimants the fastest, or any of our claimants with the best accuracy possible. We do not have the proper staffing and resources to accomplish these goals. For example, out of a possible 20 workdays a month, there may be 8 in which the computer will process a particular type of action. This results in late payments and underpayments and overpayments. We have computer programs that have not worked properly since 1978, and that causes the beneficiaries to receive incorrect and confusing letters, requiring them to call or come into the field offices for an explanation.

I believe we are shortchanging both the beneficiaries and the workers by not providing this agency with enough money and the proper equipment and staffing to do the work of the Social Security Administration in the most expeditious, accurate, and easily accessible manner possible. We seem to have changed the emphasis in the Social Security Administration. We seem to be serving the budgetary priorities and the priority workloads of the agency, rather than serving the people who are our claimants and beneficiaries.

Behind each file and claim there is a person whose needs, priorities, and financial resources do not always match those of the agency. We need to have the staffing and the resources to be able to provide the kind of public service that people have a right to receive from the Social Security Administration.

I would like to add one thing. The Commissioner may not know that we get 30 pages of transmittal changes per day. I filed some yesterday that were probably 50 to 60 pages, to the POM, and I would say we easily get a minimum of 30 pages per day.

Chairman HEINZ. So you say you average about 30 pages a day?

Ms. SIGLER. Easily—that does not include teletype, memos——

Chairman HEINZ. At the right time, I am going to ask which of you is an expert on that entire 9 feet of books, and I do not expect

you all to jump up at once, but if one of you do, be careful, you might be the next Social Security Administrator, and then you would really have problems.

Ms. Sigler, thank you very much for an excellent statement.

I want to welcome Tom Wachter down from Philadelphia. Tom, I do not know if you have a prepared statement or not——

Mr. WACHTER. Yes, I do, Senator.

Chairman HEINZ. Then please proceed.

Mr. WACHTER. Thank you.

I am a claims representative in the New Kensington, Pa., Social Security District Office.

Chairman HEINZ. Oh, New Kensington, excuse me. That is a little further away than Philadelphia.

I want to apologize. You are the regional vice president of AFGE Social Security 220, which is headquartered in Philadelphia.

Mr. WACHTER. Well, it is the Philadelphia region of Social Security; it includes about 3,000 employees in Pennsylvania, Delaware, Virginia, West Virginia, Maryland, and Washington, D.C.

Chairman HEINZ. Let the record show that New Kensington is in Westmoreland County, not far across the river from Brackenridge and Tarentum.

Mr. WACHTER. That is right.

Chairman HEINZ. Now that we have you placed, please proceed.

STATEMENT OF THOMAS R. WACHTER, NEW KENSINGTON, PA., REGIONAL VICE PRESIDENT, PHILADELPHIA REGION, NATIONAL COUNCIL OF SSA FIELD OPERATIONS LOCALS, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. WACHTER. OK.

What are the problems with public service in the Social Security Administration? Our workers tell us of two overriding concerns.

The first is staffing, which we have heard something about. While SSA has historically suffered from hiring freezes, temporary shortages, and sudden increases in workload, never before have employees viewed the staffing situation as so critical, so frustrating, or so hopeless.

The second concern of employees is SSA's overall attitude toward its programs, its workers, and the public it serves. This is an attitude which sometimes results in people being treated as something less than individual human beings with real human problems.

At one time, this agency had a mission, and that was to get the right check, in the right amount, to the right person, at the right address, at the right time. Employees from the mail clerk to the Commissioner believed in that mission and supported each other in overcoming all obstacles in order to achieve it.

We are sorry to report that this is no longer always the case. After the crippling budget and staffing cuts, confusing policy changes, the institution of unrealistic merit pay and performance objectives, and years of management by emergency, the public interest is not always the first consideration in SSA field offices. It has become painfully obvious to us that the true mission of the agency has somehow been transformed to something like: We are now to generally get the right check in approximately the right

amount, to more or less the right person, at a past or present address, as soon as it is a priority, and provided, of course, that it does not mess up the office statistics.

The agency uses its powerful and subjective performance appraisal system to make sure employees get that message. It is more important for a manager to get merit pay than for a claimant to get a proper and timely check. Workers are encouraged and sometimes ordered to adopt expediencies and shortcuts which will make office reports look good, but which may sometimes adversely affect public service. Employees are rewarded or punished accordingly by use of that appraisal system.

For example, there is the triple-zero procedure which, when misused, totally erases all record of an old social security claim from the computer system. This old case is therefore excluded when computing average processing time for the office. This gives the appearance of fast overall service. The office managers are evaluated on, and merit pay depends upon, such things as average processing time. There is one drawback, however. Once the triple-zero occurs, final payment cannot be authorized by the field office; it must be done by the payment center. This usually means a delay of approximately 6 to 8 weeks before final processing of that claim.

Under the SSI program, most individuals are required to have their eligibility reviewed yearly. SSA computers identify cases which are high error prone. These individuals are given thorough, indepth reviews involving face-to-face or telephone interviews, and a detailed, long-form, employee-completed questionnaire. Cases not identified as high error prone are processed by mailing out a short-form questionnaire for the recipient to complete.

A number of SSA managers recently discovered that high error prone cases could be processed using the abbreviated short-form review. The only penalty for getting caught at this shortcut was a documentation error, which would not significantly affect their performance appraisals or jeopardize their merit pay. They processed hundreds of high-error-prone cases in this way, risking overpayments and underpayments which may compound until the next full-scale yearly review.

The list goes on. This shortcut, shortsighted attitude extends to SSA's treatment of its employees as well, and this can affect public service. We have seen work pressures reduce training time in some offices from what used to be up to an hour a day to almost never.

In the Philadelphia region, employees used to have portions of the manuals you see up here at their desks for reference and review when they were interviewing or while they were processing cases. These manuals were recently taken away and replaced by a small number of such manuals which must be shared by all employees. Even the transmittals notifying employees of the program, policy, and procedural changes must now be shared among employees. Each employee does not get a copy of every change.

The agency is proposing similar changes that would affect offices nationwide.

We find good employees quitting due to SSA's reluctance to implement effective part-time employment programs, as required by law. Many of these are working mothers with new babies or other

special child care needs which could be accommodated by part-time work or less rigid tours of duty.

I would just like to say that you will find no one is more committed to quality of public service and SSA programs than the workers who administer them. The point is that the attitude of the agency creates a working environment which can inhibit what we consider to be quality public service.

Thank you.

Chairman HEINZ. Thank you very much, Mr. Wachter.

Kris Kramer, who works in Ambridge, Pa.

STATEMENT OF KRIS KRAMER, FREEDOM, PA., PRESIDENT, LOCAL 3231, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Ms. KRAMER. Yes; that is right.

Chairman HEINZ. Which is in Beaver County, which is not that far from New Kensington—as long as you do not have to ride there on Route 28.

Ms. KRAMER. Yes, and I do drive on occasion there.

The important thing is not where I am from, but who I am, because I am the claims representative who talks to these people when they come into the office, and I am the person who is supposed to give them the good public service that I know I am not, for a variety of reasons which we have touched on.

Chairman HEINZ. That is exactly why we are delighted that you did come down to talk to us.

Ms. KRAMER. Yes. Now, my statement, like John's, I would like to have in the record in its entirety.

Chairman HEINZ. Without objection, the entire statement will be made a part of the record following your oral remarks.[1]

Ms. KRAMER. Thank you.

I only wish to address a couple of points here. I want to, first of all, assure the gentlemen from the General Accounting Office that if they would accompany me back to my office, I will supply them with an endless number of claims representatives who will go on the record to state the deplorable condition of public service given by this Administration.

I have worked for this Administration for 10 years, and I have seen the decline of public service. I would never have dreamt 10 years ago that I would sit here and tell you Social Security gives you deplorable public service. But the state of affairs is such that someone has to come and tell you.

The purpose of my testimony was to give specific instances that would back up the general statements which I thought you would hear today. You have heard generally about workload items which are not done. Well, I want to tell you that out of five cases, just off the top of my head, from my workload in Ambridge, which should have had payee accountings done within the last 12 months, the first five I picked up, I will report as follows—the dates I give you are the last times I have had time to do a payee accounting—July

[1] See page 83.

1980, September 1979, November 1980, January 1981, and June 1977.

Right now, that is just one example of a workload that we are not able to process.

I would like to go on to cite two workload items which we eventually get done, but are not done in a timely manner. One of these is redeterminations for institutionalized SSI claimants. Now, as you probably remember, when SSI was enacted, the purpose of the law on the Federal level was to have an ongoing review of eligibility, to make sure people were still eligible. That was the point of the redetermination. We have now shortcut that process, so in some cases, we are only doing that review once every 3 years. Again, from just one office, I cite the example where the Beaver County Children and Youth Services audit team told me I was paying checks to them for an institutionalized child who they had not had in their care or in their institution since September 1981. Now, had the proper redetermination been done by Social Security in the proper timeframe, this situation would not have occurred. We would have found that the child was no longer there. We would have not paid 25 extra checks to the Beaver County Children and Youth Services, and more importantly, we would have been able to know where that child was. That was what we were supposed to do.

However, again, because of the shortcuts, we do not get to that kind of work. That is not our big priority processing time, and it does not get done.

The other example is when beneficiaries come in to report changes. It would seem to me that when a beneficiary is required by law to report a change, all he would have to do is come into a field office, report it, and the change would be made. Unfortunately, that is no longer the case.

To cite specific examples, I want to bring you the item of the black lung reporting. Under provisions of the law, certain social security beneficiaries must report receipt of black lung benefits. Fine; people come in and do that. However, this workload took sometimes 2 and 3 years to perform in some beneficiaries' cases. In my Johnstown office, one beneficiary incurred an overpayment of $15,495 from December 1979 through December 1982. In Ambridge, one was overpaid $13,315 from March 1981 to April 1983; in Altoona, $8,636.20, dating back to June 1978; and in Charleston, W. Va., they do not even know how many people they have overpaid, and it is from $2,000 to $18,000.

Now, the figures really do not make that much difference to Social Security. That is no money at all. But can you imagine being a beneficiary who came in to report receipt of black lung benefits, nothing was done for 3 years, and then you had to pay $15,000?

Chairman HEINZ. As a matter of fact, I am very much aware of it, because for the last 2 years or so, I have had a lot of people call up and say, "Senator, I told somebody a couple of years ago what my status was, and I have been receiving these checks, and now they want to recover all this money."

Ms. KRAMER. That is right, and I do not consider that public service. I am sorry, very sorry, to say that.

Chairman HEINZ. It is not good public service, it is not. I know that you regret saying it, but you have to say it, and you are tell-

ing the truth. And we think—I did not mean to interrupt your testimony. Please, make your closing. I did not mean to interrupt, because it is a very eloquent statement.

Ms. KRAMER. Well, in my testimony, I did say that the things that I have cited would not happen if we had proper staffing levels and ratios. It is not a computer problem. It is the people to do the work. Our work cannot do itself. It has to be done by employees. At present, and for a long time, there have just been too few of us.

Chairman HEINZ. Thank you very much for an excellent statement. I am going to reserve all my questions for you until we have heard from each of you.

Ms. KRAMER. I am here, and I am very anxious to answer them, and I will be back in 6 months to see what we have done about this.

Chairman HEINZ. We will be delighted to have you back in 6 months.

[The prepared statement of Ms. Kramer follows:]

PREPARED STATEMENT OF KRIS KRAMER

My name is Kris Kramer. I am president of the American Federation of Government Employees Local 3231. My local represents Social Security Administration employees in all of the field offices in western and central Pennsylvania, as well as offices in Cumberland, Md.; Petersburg, W. Va.; Bridgeport, Ohio; and Wheeling, W. Va. There are 46 offices represented by local 3231.

In my testimony, I wish to address specific instances showing workload items which are not completed at all, and workload items which are eventually completed, but in an unacceptably untimely manner. Inadequate staffing levels and improper management topheavy staffing ratios result in the types of problems I describe herein today. With proper staffing levels and ratios, all of these items can be quickly corrected.

Social Security has workload items which it does not routinely process. One example of this is representatives payee accountings. At one time, we were able to complete representative payee accounting forms for the purpose of checking on proper use of benefits and discovering misuse of benefits paid to representative payees. We have not routinely completed this workload item for years. From just my own unit in Ambridge, Pa., I bring you five examples of cases where payee accountings are long overdue. The last time accountings were done on these five cases were July 1980, September 1979, November 1980, January 1981, and June 1977. These five cases were the first five checked—they should all have dates less than 1 year old. However, because we now do not have adequate staff to address this workload item, proper use of benfits by payees is not monitored by the Social Security Administration.

Continuing on to cite two examples of workload items which are eventually done, but in an untimely manner, I bring to your attention redeterminations of SSI eligibility for institutionalized claimants and beneficiary reported changes. The Social Security Administration now categorizes redeterminations so that reviews of continued eligibility for SSI checks for persons in institutions are completed only once in 3 years as opposed to the congressionally mandated quarterly or yearly reviews. Again, just from my own office, I cite a case where it was recently discovered by the Beaver County Children and Youth Services audit team that they had received SSI checks for a child who had not been in the institution we thought she was in, or under their jurisdiction since September 1981. Had the proper redetermination been done by Social Security in the proper timeframe, this situation would have been discovered by Social Security in 1981 or 1982 at the latest. SSI checks would not have been paid to the county 25 months too long. Instead, however, the situation was not discovered by SSA at all, but rather by a third party, the audit team, and then over 2 years after the fact.

Regarding the second example of untimely work processing, let me address beneficiary reported changes. Some changes take so long to be processed that huge overpayments result. For example, some social security beneficiaries are required to report receipt of black lung benefits so that the Administration can perform offset computation. This workload took over 2 years to perform for some beneficiaries. In

the Johnstown office, one beneficiary incurred, through no fault of his own, an overpayment of $15,495 for the period December 1979 through December 1982. In Ambridge, a beneficiary was overpaid $13,315 for the period March 1981 through April 1983. In Altoona, one was overpaid $8,636.20 dating back to June 1978. In Charleston, W. Va., countless beneficiaries have been overpaid sums ranging from a low of $2,000 to a high of $18,000. In each of these instances, the beneficiary did what was required—each reported receipt of black lung checks. However, it took the Administration 2 and 3 years to process the reports. Delayed processing caused hugh and unnecessary overpayments.

In closing, I would like to repeat that everything I have cited could have been prevented if our staffing levels and ratios were proper. Our work cannot do itself—it must be doen by employees. At present, and for a long time, there have been too few of us to thoroughly do the work which the administration of our programs entails.

Chairman HEINZ. By the way, I do not know how many of you made the false start 2 weeks ago to get down here. I apologized to the beneficiaries, and I apologize to you. You were as much victimized by circumstances as the beneficiaries, and indeed, you seem to be as much victimized by other circumstances as beneficiaries.

Ms. Lawson.

STATEMENT OF BARBARA LAWSON, CHULA VISTA, CALIF., OPERATIONS ANALYST, SOCIAL SECURITY ADMINISTRATION

Ms. LAWSON. Thank you.

I would also like to have my entire statement included in the record. I will just read a few brief portions of it.

Chairman HEINZ. Without objection, your entire statement will appear in the record following your oral remarks.[1]

Ms. LAWSON. I am an operations analyst in the Chula Vista, Calif., social security office. It is an honor to have the opportunity to speak to you regarding the problems that we face in serving the public.

As we all seem to agree on this panel, one of our major problems is in the area of staffing. During the past year, our region has suffered a 6.5-percent decrease in staff. The greatest cuts have occurred in those positions that do not have a direct impact on how offices measure their productivity.

For example, there are now 10.4 percent fewer field representatives in our region than there were a year ago. Field representatives are those employees who visit the homebound and hospitalized claimants who cannot come in to a field office. They also perform important public information activities, such as addressing senior citizen groups. A year ago, there were 144 field representatives in our region to serve the 180 field offices. Today there are 129.

Service representatives who assist claimants with problems that occur after their claims are filed—problems such as nonreceipt of check and medicare problems—have also seen a disproportionate decrease in their numbers. A year ago, there were 1,089 service representatives in the region, now there are 1,005, a reduction of 7.7 percent.

This means that claimants who come into our offices must wait longer to be interviewed and longer for the paperwork generated by the problem to be worked. In some offices, service representa-

[1] See page 86.

tives are discouraged or even prohibited from using the online computer query system to assist people with their problems.

While we have the facility to inform the claimants while they are in the office of what happened to their checks, the online query system is needed to do this. While the purpose in such a policy may be to decrease the time that a claimant waits for an interview, the interview does not meet that claimant's need if his or her questions are not answered.

In our teleservice centers, offices that are staffed with service representatives to assist claimants without the necessity of their going into offices, performance is measured by how many calls are answered. In the Los Angeles Teleservice Center, between 6,500 and 12,000 calls are received daily. Between 2,000 and 4,000 of these calls are lost, with about 10 less service representatives on duty than there were just 4 months ago.

The employees are encouraged to spend an average of no more than 3 minutes with each caller. This results in inadequate service to those callers who are not so fortunate that all their problems are simple ones.

Another major problem area is that of administering policies that are either unjust or simply nonsensical. For example, in the supplemental security income program, the agency has had no less than five different policies on how State disability income is to be charged. These policies are important because they have a direct impact on how much SSI an individual or couple is eligible to receive. If an individual happened to apply for SSI when the agency had a more generous policy in effect, he or she received a higher SSI payment. Then, when the agency changed to a more stringent method of charging the income, and the same individual underwent a yearly redetermination, the new stringent method of charging the income was applied retroactively and the individual was overpaid. This is so despite the fact that he or she properly reported the income, and the claims representative correctly processed the report. The result is that the recipient is sent a letter informing him or her that he or she is overpaid and that we propose to recoup that overpayment by withholding all SSI checks until that overpayment is recouped. This is done to a recipient who, by definition, is needy and who did absolutely nothing to incur this overpayment.

Another policy which results in injustice—and to a far greater number of beneficiaries—is the policy involving lag earnings, which are those that do not yet appear on earnings records. Lag earnings currently include all earnings received in 1982 and will soon include all 1983 earnings.

Our instructions tell us to get proof of lag earnings unless it takes more than 10 days to obtain the proof, or the claimant says do not bother to obtain the proof, or unless the difference in the benefit amount is less than $5.

Since it takes about 2 years to recompute a benefit after a claim is cleared, the claimant may wait a considerable time to receive the additional $10 or more per month to which he or she is entitled. In the past, we were instructed to include a paragraph on the claimant's award letter, informing him or her of the fact that these earnings were not included. Now, for retirement and survivor

claims, we are not to inform claimants of this omission. Since claimants for retirement benefits typically file their claims 2 or 3 months before they retire, they are actually disadvantaged by our rapid processing of their claims when they are processed without including lag earnings.

These situations described here, from staffing shortages to unjust and nonsensical policies are facts of everyday life in social security offices, both for the public we serve and for the employees who work there. Unless changes are made to correct the situation, the service we provide the public will continue to deteriorate.

Thank you.

[The prepared statement of Ms. Lawson follows:]

PREPARED STATEMENT OF BARBARA LAWSON

Mr. Chairman, my name is Barbara Lawson. I am an operations analyst for the Social Security Administration in Chula Vista, Calif. I am also the local union resident representing Social Security employees in the San Diego, Riverside, and Las Vegas areas. It is an honor to have the opportunity to speak to you regarding the problems we face in serving the public.

One of our major problems is in the area of staffing. During the past year, our region has suffered a 6.5-percent decrease in staff. The greatest cuts have occurred in those positions that do not have a direct impact on how offices measure their productivity. For example, there are now 10.4 percent less field representatives in our region than there were a year ago. Field representatives are those employees who visited the homebound and hospitalized claimants who cannot come in to a field office. They also perform important public information activities, such as addressing senior citizens groups. A year ago, there were 144 field representatives in our region to serve the 180 field offices; today there are 129.

Service representatives, who assist claimants with problems that occur after their claims are filed—problems such as nonreceipt of check and medicare problems—have also seen a disproportionate decrease in their numbers. A year ago, there were 1,089 service representatives in the region. Now there are 1,005, a reduction of 7.7 percent. This means that claimants who come into our offices must wait longer to be interviewed and longer for the paperwork generated by the problem to be worked. In some offices, service representatives are discouraged from, or even prohibited from using the online computer query system to assist people with their problems. While we have the facility to inform the claimants while they are in the office of what happened to their checks, the online query is needed to do this. While the purpose in such a policy may be to decrease the time that a claimant's waits for an interview, the interview, does not meet that claimant's need if his/her questions are not answered.

The largest cut has been in the number of claims clericals, who perform the clerical functions needed to process claims for the social security benefits. Their numbers have dropped from 1,257 to 923. This means that the claims representatives—GS-10's—spend a large portion of their workday performing claims clerical—GS-4—work. This is hardly an efficient way to economize and has a negative impact on public service, as claimants wait for interviews while claims representatives are performing clerical functions.

In our Teleservice Centers, offices that are staffed with service representatives to assist claimants without the necessity of their going into offices, performance is measured by how many calls are answered. In the Los Angles Teleservice Center, between 6,500 and 12,000 calls are received daily. Between 2,000 and 4,000 of these calls are lost, with about 10 less service representatives on duty than there were just 4 months ago. The employees are encouraged to spend on average of no more than 3 minutes with each caller. This results in inadequate service to those callers who are not so fortunate that all their problems are simple ones.

A Social Security office's resources are devoted to accomplishing the goals that the agency determines are important at the time. These goals typically include such items as the number of days needed to process retirement and survivor claims, the number of days needed to send a disability claim to the State agency, the percentage of yearly redeterminations completed be a given month and the payment accuracy of RSI and SSI claims. This means that workload items which may be just as important, such as the processing of reconsiderations of denied claims, are not given

the same priority handling as the goal items. There is no limit on how long these items may simply remain unprocesed as the employees devote their workdays to meeting their goals.

Another major problem we face is that of the constant changes in the instructions for processing the work and the inadequate training received to keep up with them. The ongoing flood of changes, large and small, makes it difficult, if not downright impossible for an employee to keep abreast of the rules by which the work is to be done. Emergency, temporary, and standard transmittals arrive on practically a daily basis, only to be superseded by wire instructions. Many of our offices devote a great deal of time which would otherwise be spent in production to train employees on changes. Other offices devote little time to this. Either way, the results are unsatisfactory, since time spent in training is lost to production, or the training need to perform the job correctly is never given.

Another major problem area is that of administering policies that are either unjust or simply nonsensical. For example, in the supplemental security income program, the agency has had no less than five different policies on how State disability income is to be charged. These policies are important because they have a direct impact on how much SSI an individual or couple is eligible to receive. If an individual happended to apply for SSI when the agency had a more generous policy in effect, he or she received a higher SSI payment. Then, when the agency changed to a more stringent method of charging the income and the same individual underwent a yearly redetermination, the new stringent method of charging the income was applied retroactively and the individual was overpaid. This is so despite the fact that he or she properly reported the income and the claims representative correctly processed the report. The result is that the recipient is sent a letter informing him or her that he or she is overpaid and that we propose to recoup that overpayment by withholding all SSI checks until that overpayment is recouped. This is done to a recipient who, by definition, is needy, and who did absolutely nothing to incur this overpayment.

Another policy which results in injustice—and to a far greater number of beneficiaries—is the policy involving lag earnings (those which do not yet appear on earnings records). Lag earnings currently include all earnings received in 1982 and will soon include 1983 earnings. Our instructions tell us to get proof of lag earnings unless it takes more than 10 days to obtain the necessary proof, or the claimant requests processing the claim without the lag, or unless the difference in the benefit amount is less than $5. Since it takes about 2 years to recompute a benefit after a claim is cleared, the claimant may wait a considerable time to receive the additional $10 or more per month to which he or she is entitled. In the past, we were instructed to include a paragraph on the claimant's award letter, informing him or her of the fact that these earnings were not included. Now, for RSI claims, we are not to inform claimants of this omission. Since claimants for retirement benefits typically file their claims 2 or 3 months before they retire, they are actually disadvantaged by our rapid processing of their claims when they are processed without including lag earnings.

Another policy which is unjust and which does not even have the merit of being expeditious, involves the SSI program and those recipients who hold interest-bearing checking accounts. Those recipients are required to report the interest paid on the account each and every month (the amount of income they are reporting is usually less then $1, but there is no tolerance for curtailing development on small amounts). The recipient dutifully goes to his/her local Social Security office every month, where he/she may wait up to 2 hours for an interview in order to report this miniscule amount of income. An interviewer will then spend several minutes with that claimant and prepare a computer input document. A teletypist will input that document into the computer and a clerk will file it away. So a minimum of three employees will spend 10 to 15 minutes of working time in order to reduce a recipient's check by less than $1. The agency's zealousness in reducing payment amounts in situations like this amounts to a penny-wise pound-foolish policy.

These situations described here from staffing shortages, to constant instructional changes, to unjust and nonsensical policies, are facts of everyday life in Social Security offices, both for the public we serve and for the employees who work there. Unless changes are made to correct the situation, the service we provide the public will continue to deteriorate.

Chairman HEINZ. Well, that is certainly a cheering battery of testimony. I feel like the person who went to Ford's Theater and said, "Well, apart from that, how did you like the play, Mrs. Lincoln?"

You have all testified to virtually all the kinds of problems that we heard of from our beneficiaries, plus some others, and I think you have given us some very helpful insights into the nature of those problems.

Let me start with Mr. Harris, who in addition to having had the responsibility of being the president of the National Council of Social Security Field Operations Locals, of the AFGE, has been a claims representative there in SSA for how long?

Mr. HARRIS. Eight years.

Chairman HEINZ. Eight years. Let me ask you, when the administration began emphasizing debt management and accelerated the disability reviews, did that change in policy have an effect on the work that was done by field office personnel?

Mr. HARRIS. Yes, and in a number of different ways. First of all, in the commonsense way, that there were no new people added to do that new job, so that people were simply taken away from what they were already doing. In the main, it was service representatives involved in title II overpayments, but in the case of SSI, it was the claims representative processing SSI work. It was really directly a result of that overpayment initiative that we developed this practice of not paying the disabled as timely as we can, the so-called deferred development practice.

Also, we started abbreviating the SSI redetermination. But in another way, which bothers me more, I think it has affected our people spiritually. I have noticed since I came back—I was gone from claims processing for a number of years while I was president of that union—in coming back, I have found that the people are much more callous and have less feeling, I think, for the clients than they used to have, and I think that that was a result of the debt management initiative.

Chairman HEINZ. That the claims representatives became more callous toward beneficiaries?

Mr. HARRIS. Yes; they were told to be. The instructions and the training that they were given told them to treat the overpaid person like a debtor, regardless of their fault or blame in the overpayment—and most of them were, of course, innocent.

Chairman HEINZ. Well, we certainly have heard about some of the consequences of that.

Ms. KRAMER. May I add something to that, because John missed a very important point.

Chairman HEINZ. Yes, by all means.

Ms. KRAMER. At one time, when I would take a waiver from an overpaid SSI individual, I would take information from that person, and I would have, out of one of those books, a set of guidelines telling me when certain conditions met the waiver provision of the law, and when it did not, and I would make a determination whether or not that overpayment was a person's fault, whether it could be waived, et cetera.

Once debt management started, there was severe pressure on employees to collect money back. The collection effort somehow got ahead of us and we forgot we were also supposed to waive payments when appropriate, but also, too, when we were collecting, we were not supposed to take the whole check before; you never heard of doing such a stupid thing to a person whose only income is SSI.

Now, you have to threaten that you are going to take their whole check from the onset. Before, we would attempt to set up a repayment schedule. I would take $5 or $10 back, and be happy I would get that, because you knew the person really would miss that. Now, the very first step is they get a letter telling them the entire check is going to be withheld.

Do you understand the difference that that pressure puts on an employee when he is talking to a person who is overpaid? Do you see the point there?

Chairman HEINZ. Oh, yes.

Ms. KRAMER. OK.

Chairman HEINZ. Oh, yes. As a matter of fact, my next question to all of you—I am going to start with John Harris—is this. What you have all described are consequences of a number of factors: changes in the law, things that we in Congress did, antiquated systems—Mr. Harris testified to the difficulty of getting onto the online query system, and I assume one of the reasons that you cannot get on it is that there are not enough terminals—I do not know what the reason is—that there have been changes in management priorities—I am not talking about the shift of administrators, although that has something to do with it, the eight we have had in the last 10 years—combined with something new, I would guess, since 1979, a more sophisticated management-by-objective performance appraisal system, that reinforces the new and presumably changing management priorities, such as debt management, which we were just talking about, and as a final factor, the combination of those has also affected not just employee morale, but employee behavior and attitudes.

My question is, if the Social Security Administration were an independent agency in the same way as the Federal Reserve System is an independent agency, while it would not protect you from changes in the law by Congress; we change laws frequently enough for independent agencies such as the Federal Trade Commission, and so forth—would it help address the other kinds of problems that you mentioned and that I just summarized—Mr. Harris?

Mr. HARRIS. Senator, in the opinion of this union, the only way to restore to social security its professionalism would be to establish social security as an independent agency and give to management the skills and abilities to manage and to workers the abilities to get their jobs done well.

Chairman HEINZ. Is there anybody who disagrees or would like to add anything in agreement?

Mr. Wachter.

Mr. WACHTER. I have no disagreement whatsoever.

Ms. KRAMER. I agree entirely with John.

Chairman HEINZ. We will put you down as a unanimous panel on that. We do not get much unanimity in Congress, you know. We are appreciative of it.

Mr. HARRIS. I would hope, Senator, that there would be unanimity on this issue. I am aware of the work that you have done, and we are very grateful for what you have done so far.

Chairman HEINZ. Thank you very much, Mr. Harris.

Let's get back to what Congress has done to the system. If it is true—and I am sure it is—that the legislation we have enacted has

added to the complexity of your work, caused you to suspend important work in other areas, can you give us any specific remedies for us in the Congress, things we ought to do by legislation, that will uncomplicate social security's task, if that is possible?

Mr. HARRIS. Yes; we have one very specific and concrete suggestion. Let me just say, before I say that, that there is no way to simplify, justice, even though justice as it looks in the end is simple enough. I think the decisionmaking will always be complicated. I am not sure we will ever get rid of all those 9 feet—and by the way, there is more than 9 feet, my colleagues have reminded me.

Chairman HEINZ. How many are there?

Mr. HARRIS. Well, there is an additional 2 or 3 feet, they suggest, and if you add in certain things that are supposed to be in there that are not up there——

Chairman HEINZ. Well, we did not have time to put them all up—time and strength failed the staff.

Mr. HARRIS. I have observed that Congress has tried to give social security enough leadtime to implement legislation, but has failed, simply because they make their judgments out of the air. They have really no way of knowing the impact or how long a given legislation will take to implement.

What we would suggest is simply that in the law, the administration be required to advise Congress, after legislation has been enacted, as to the impact of that legislation; to advise Congress specifically whether there are any inequities that will have been created by that legislation, and how long it will take them to implement that legislation.

The law, then, should further provide that the effective date of that legislation will be after such a report is given and the Congress accepts such a report. In that way, I think we can prevent this sort of guessing game that has been going on in the past.

Chairman HEINZ. You are asking for an impact statement.

Mr. HARRIS. That is correct. I think that would be a practical way to solve the problem. I think, too, that it would solve some of these problems where, in the turmoil of reconciliation, you adopt some provisions that nobody had really had a chance to consider what it might mean, in light of other things, and it causes inequities or problems which none of us really wanted.

Chairman HEINZ. In addition to serving as the chairman of the Senate Aging Committee, I serve also as a member of the Finance Committee, which writes the social security laws, and I would say this, that where the committee has made changes in social security, we have endeavored to consult as widely as possible, but I think it is true that when we have made literally hundreds of changes in the law, as we did in TEFRA, as we did in ERTA the year before, that it was not possible, it was not even practical, to take detailed testimony on each of the literally hundreds of changes that we made, and as a consequence, I think it is fair to say that Congress really got trapped on the issue of the so-called minimum benefit, which we went around and around on for about a year and a half, and some other problems that I think are quite apparent here.

Let me ask one concluding question to you as a panel.

Mr. Harris mentioned that there will be a new Social Security Administration initiative to improve productivity in the coming

year, in 1984. In what ways could an emphasis on productivity—and I guess what that means is more volume of work for the same number of people, or in less time; the same volume of work in less time, so you can do something else—what will that do to public service? Will it further jeopardize it?

Does anybody want to comment on that? Don't be bashful.

Ms. SIGLER. I think what it means is that we are going to find that we can only talk to a person on the phone for 2½ minutes, even if the person might need more time to talk to us; we are going to feel pressured about interviewing a person. We might be told that to take an application, we only have 20 minutes. And I think what it is going to result in is people getting bad information; people are going to call, and they are just not going to get all their questions answered as best as they could.

The push is going to be on getting the work done, and like you said, it is going to be quantity, and I do not think it is going to be quality.

Chairman HEINZ. Any comments by anybody else on that?

Ms. KRAMER. Yes, I want to comment on that. The emphasis for quite some time, actually, has been on production in the sense of clearing or processing large volumes of workload in a very short period of time.

Let me cite one example. Recently, I was requested by management to send out redetermination letters on 57 people. The deadline to get the letters out is December 5. Now, generally, one would not expect one worker to send out 57 letters and interview 57 people by a deadline, but those are the kinds of things we do these days.

Chairman HEINZ. How much time did you have to interview 57 people and get 57 letters out?

Ms. KRAMER. I have until December 5.

Chairman HEINZ. When were you told, though, that you had until December 5?

Ms. KRAMER. November 17.

Chairman HEINZ. So it would have been within the last 10 days, then?

Ms. KRAMER. Oh, yes, a very short period of time. Now, that is no problem. If this administration wants to send out 57 letters in 2 weeks and interview those people in a short amount of time, then if that is really what this administration and this Congress wants us to do, I can assure you we will do it. And when 57 people come into my office, I can interview them in a very short period of time, OK? But if you want 57 people to sit across a desk from me and get their eligibility to SSI payments correctly redetermined—which is what the redetermination is—then I can assure you, that by sending out a bunch of letters in a short period of time, and hustling people through your office just to make your statistics look good is not going to achieve that.

We have come to the point where if you want quantity, fine; but if you want quality, then you had better think again about what people are asked to do. I am very sorry to say that, but with the resources we now have, which are too few, we cannot do quality and quantity at the same time. So you have to tell me which one you want.

Chairman HEINZ. That sounds reasonable.

Mr. HARRIS. I think just in conclusion, you should be made aware, Senator, that the President's Private Sector Task Force has recently recommended that some 900 of the 1,400 social security offices be closed and that the workers in the field offices be reduced by up to 50 percent. They say from that, they will get a savings of 17,000 work-years, and of course, many millions of dollars.

The price that is said, of course, is the public service.

Chairman HEINZ. I think that is a well-taken point.

Ladies and gentlemen, I thank you for traveling your many miles to come down here. I am very personally pleased that two of my constituents from Pennsylvania were kind enough to come down. But Minnesota, California, and Ohio are well represented, as well.

Thank you all very much for your help.

Our cleanup hitters are from the Social Security Administration. Would Herbert R. Doggette, the Deputy Commissioner for Operations, and Louis Enoff, Acting Deputy Commissioner for Programs and Policy, come forward, please?

Gentlemen, we thank you for being with us this long. The hearing has gone longer than I suppose any of us had anticipated. But I suppose at the same time, the problems are more complex and more difficult than anybody could have anticipated.

Mr. Doggette, would you please proceed?

STATEMENT OF HERBERT R. DOGGETTE, DEPUTY COMMISSIONER FOR OPERATIONS, SOCIAL SECURITY ADMINISTRATION, ACCOMPANIED BY LOUIS D. ENOFF, ACTING DEPUTY COMMISSIONER FOR PROGRAMS AND POLICY; AND NELSON SABATINI, DEPUTY COMMISSIONER FOR MANAGEMENT AND ASSESSMENT

Mr. DOGGETTE. Thank you very much, Mr. Chairman.

We have been joined by Nelson Sabatini, who is our Deputy Commissioner for Management and Assessment.

Mr. Chairman, I find myself both proud and embarrassed to be here today. I am proud because of the fine job that our employees are doing in this organization, under somewhat difficult circumstances. I am proud of their concern, their commitment, and their hard work, which is not without success.

Most of our work is done in a very exemplary manner. For example, we do pay benefits to some 36 million Americans each month, and most of those checks are paid correctly and on time. In the field offices, which the prior witnesses are familiar with and work in, we do handle some 25 million visits a year, and we handle most of those activities, I think, in a very fine and courteous manner, as attested to by an earlier panel.

In those telephone service centers, we get over 20 million telephone calls a year, and now have a process of evaluating a select sample of those calls. I am pleased to say that we handle most of those calls correctly. We do process actions that involve posteligibility events in some 65 million situations a year, and again, we handle most of those correctly.

I am embarrassed because of the errors that we do make—and we do make errors. Some of those errors are human errors; some of

those errors are errors that are made because of our antiquated computer system. And I do want to sincerely apologize to each of those individuals here today, in whose cases we did make errors that caused them hardship, anxiety, and frustration.

Mr. Chairman, I myself have worked in this agency for some 25 years. I started in the mailroom, and I have been Acting Commissioner on two occasions, so I have seen this organization from every aspect, from all sides, from different levels in the organization. I have seen our performance over those years, and I do have to acknowledge that our public service today is not what we would like to have it be, and probably is not what it was at prior times in our history.

Martha McSteen, the Acting Commissioner, who testified earlier today, has indicated certain commitments, and we are all equally committed with her to doing everything. that we can to bring this agency back to the status that it once enjoyed.

Thank you.

Chairman HEINZ. Thank you, Mr. Doggette.

Do either of the gentlemen with you have a statement they care to make?

Mr. Enoff.

Mr. ENOFF. Mr. Chairman, yes.

I appreciate the opportunity to be here. And while I do not have a statement, I would want to indicate that we would not attempt now to summarize any inaccuracies that may have been said here today, but would be glad to respond for the record, to many of the questions and many of the problems that have been raised.

I would want to point out, however, Mr. Chairman, one point that I think may have become confusing with regard to withdrawals from bank accounts. I do not want to speak for the Treasury Department, but I do think it is important to point out that neither the Social Security Administration, the Treasury Department, nor any other governmental agency that I am aware of has the authority or the ability to enter one's bank account. That action is taken by the bank. The bank is responsible for the repayment of Federal benefits paid in error.

Chairman HEINZ. The bank does not enter someone's bank account on their own initiative. The bank maintains the bank account. It is like saying, "You know, people don't kill people, bullets do."

Now, the Treasury Department is the efficient cause of the action, and if you cannot see that, you should not be sitting at the table, and you should not be working for the Federal Government.

Mr. ENOFF. Mr. Chairman, my point is that the bank——

Chairman HEINZ. I would like to know what your point is. The bank is stealing people's money? Is that your point?

Mr. ENOFF. No.

Chairman HEINZ. Then, what is it?

Mr. ENOFF. The bank is responsible for the repayment, Mr. Chairman.

Chairman HEINZ. The bank did not make the payment into it. The Treasury Department came along and asked to get the money out. And nothing you can say is going to change that.

Mr. ENOFF. Mr. Chairman, I believe the regulations state that the bank is responsible for any check that is improperly endorsed, and I believe the bank is responsible for making——

Chairman HEINZ. Whatever the regulations say does not change the fact. The fact is that the Treasury Department goes in and says, "We have the authority. Take the money out and give it to us."

Mr. ENOFF. I believe the Treasury Department would contact the bank and ask the bank for repayment.

Chairman HEINZ. Of course. Do you think the Treasury Department is going to go into the main vault, send a person in there with a gun and a badge, to take the money out of the vault? Of course they are going to ask the bank to do it. What on Earth does that have to do with the price of beans?

Mr. ENOFF. Mr. Chairman, I believe the statement was made that the Federal Government was entering the bank accounts. That is the only point.

Chairman HEINZ. Well, who do you think it is that is the efficient cause? Is the bank doing it on its own initiative and recognizance, or not?

Mr. ENOFF. Mr. Chairman, when we---

Chairman HEINZ. Simply answer that question. Is the bank doing this on its own initiative?

Mr. ENOFF. The bank makes a choice as to what it does.

Chairman HEINZ. Is it doing it on its own initiative?

Mr. ENOFF. Mr. Chairman——

Chairman HEINZ. If the Treasury Department did not come around to the bank and say, "Do it," would they do it?

Mr. ENOFF. I suppose they would not.

Chairman HEINZ. All right. Then let's not try and fuzz things up. It is absolutely ridiculous for you to come before a congressional committee and say, "The bank is doing this. It is not the Federal Government."

Mr. ENOFF. Mr. Chairman, I do not believe I said that the bank is doing it. My point is that we have had difficulty which your committee, the Senate Finance Committee, other committees, and the GAO, have brought to our attention where payments were being made to accounts of persons who were deceased. That was a problem.

Chairman HEINZ. What do you mean, "was"?

Mr. ENOFF. Where payments continued to be made, and where fraud was occurring because other people were using the accounts to receive the payments.

Chairman HEINZ. Yes; that is not the only problem, is it?

Mr. ENOFF. No, sir. And I am not trying to minimize the problem. I am not trying to escape any amount of blame.

Chairman HEINZ. Well, then, I simply do not understand your statement, and let the record show that I do not understand the relevance of your trying to say it is the bank that is doing this and not the Federal Government.

To my mind, the question is not whether or not it is legal or illegal, but whether it is good public policy for the Federal Government to go in, without either the Federal Government or the bank being required, after the initiative is taken by the Federal Govern-

ment—in this case, the Treasury Department, proceeding upon request from you—to go into somebody's bank account without any notification being made at any time by any of the parties involved, either you, Treasury, or the bank.

Now, we do not write regulations for the way banks correspond with depositors. We do write regulations for the way you, the Treasury Department, and any other Government agency performs your public service mission. But I certainly do not want to have somebody coming up here and trying to say, "Well, it is really all the bank's fault." If that is what you really believe, you are going to have some real problems with the Congress.

Mr. ENOFF. I do not believe I said that, Mr. Chairman.

Chairman HEINZ. What do you think you were trying to say?

Mr. ENOFF. I was stating that the Treasury Department had no authority to enter an account.

Chairman HEINZ. Well, what was the point of stating that? What were you trying to do?

Mr. ENOFF. I was trying to state that there is a responsibility in terms of the bank acknowledging whether the holder of an account is alive, and they do in some cases——

Chairman HEINZ. And was the implication that the Treasury Department had no responsibility here to let anybody know?

Mr. ENOFF. No, not at all, Mr. Chairman.

Chairman HEINZ. Good. Fine. The question is closed. The Treasury Department does have a responsibility; it should notify people. It notifies people when it thinks they are alive; whether or not they are alive, it should notify claimants that might be alive even if they think they are dead. I think that ought to settle the issue.

Now, let's get back to the hearing.

Mr. Doggette, GAO has criticized the Social Security Administration for the volume and poor quality of operating instructions. As I think we can see, there is certainly a lot of volume. And I suspect that the quality of that much paper cannot be anything to write home about, either. What is SSA doing to reduce the quantity and improve the quality?

Mr. DOGGETTE. Mr. Chairman, might I suggest in terms of how we proceed that since the three of us are Deputy Commissioners of the Social Security Administration, each with varying responsibilities, and with your permission, we would like to have the appropriate Deputy Commissioner respond to the items.

Chairman HEINZ. By all means. Who should respond to that one?

Mr. DOGGETTE. Lou Enoff is the appropriate Deputy Commissioner to respond to that one.

Mr. ENOFF. Mr. Chairman, you are quite correct that we have a long way to go in terms of improving our instructions. Simply the timing needs improving—when a change occurs with that much volume, it takes some time, as you might imagine, to produce the changes and to get them timely to all of the recipients.

We have instituted some changes. I believe Acting Commissioner McSteen indicated to you that we are attempting to place some of this material on a computer base, so that would help our timeliness.

The real answer, I believe, though, Mr. Chairman, is obviously, as you have hinted, to try and simplify some of these procedures.

And with the law as complex as it is, some 1,500 pages of law, and regulations, and some 35,000 pages here of instructions, it is not a matter that we can go about doing in a simple way. It is kind of like that marshmallow approach—when you push in on one end, it affects something over here. As you make changes to simplify one part of the program, it can have a bad effect on another portion.

So it is a matter that we have been working at. We are now exploring new technology in terms of how we implement instructions manuals. I might point out, Mr. Chairman, this set of instructions before us is a combination of some nine former sets of manuals, and these manuals here today deal with all of the various technical provisions in the Social Security Act. They were associated together a number of years ago. And we are looking at whether it might not be the prudent thing to do to separate them back into smaller sets of manuals.

Chairman HEINZ. Well, let me just get something clear, because I asked what I thought was a simple question. What I think you are saying, if I may paraphrase it, is that you are not going to revise this set of manuals and make them simpler and easier to understand until you have completed the SMP.

Mr. ENOFF. No.

Chairman HEINZ. No. All right.

Mr. ENOFF. I am not saying that. We are working at simplifying those manuals. Now, as you, I think indicated earlier when the GAO was here, there is a relationship between the computer processes and the policy manual, so that some of the changes in the computer processes where we automate more processes will just take away the need for some of the manual instructions that are there.

So there is a relationship, but that simplification effort is not totally resting on the completion of the computer modernization plan. We are looking at that kind of thing——

Chairman HEINZ. How dependent, though, is it on completing that system? It is fairly dependent, isn't it?

Mr. ENOFF. It is fairly dependent, yes sir.

Chairman HEINZ. OK. All you have to do is tell us what the facts are. I am just trying to find out what is going on.

The accuracy of social security payments seems to rest on the quality of work done by claims representatives; is that accurate? I do not know who I should be talking to—I guess Mr. Enoff, Mr. Doggette?

Mr. ENOFF. One of these two gentlemen.

Chairman HEINZ. Yet it would appear that SSA is not doing enough to make sure that claims representatives are abreast of current policy.

Daily training sessions, I understand, have been eliminated. SSA is apparently now talking about reducing the number of POM's in the field offices, and the number of positions, too.

How does SSA intend to guarantee that claims representatives are familiar with current operating procedures and policies?

Mr. DOGGETTE. Mr. Chairman, if I could begin that answer, and Mr. Sabatini will add to it.

Chairman HEINZ. Mr. Sabatini.

Mr. SABATINI. Well, Senator, I would like to say that in our budget we do budget for approximately one-half hour of training time in field offices at the beginning of each day. To the best of my knowledge, that first half-hour in most of our local offices is being used for training time.

If there are instances in which that time is not being appropriately used for training time, we would like to know where it is happening. I assure you we will correct it.

Chairman HEINZ. I do not know about that, but the point is, do you think——

Mr. SABATINI. Yes. If you were saying that you are finding that it is a widespread problem, then we will find out and make sure people understand that that is supposed to be time that is devoted to training.

In addition, we are right now trying to initiate on a pilot basis the use of some new technology utilizing computer-based training in the technical training areas. We find that this is very efficient and not only is it efficient, but it really provides a better caliber of training, especially refresher training, and can also serve a very useful purpose as a diagnostic tool.

It is not linked to the systems modernization. We are looking to see if we could possibly develop computerized training centers throughout the country on stand-alone equipment, not linked directly to systems modernization. Ultimately, someday, it can become integrated in the systems modernization program, but that is not going to keep us from moving forward now.

Chairman HEINZ. Now, to whom it may concern——

Mr. DOGGETTE. Mr. Chairman, may I respond a little bit to that question before we move on?

Chairman HEINZ. Yes, please.

Mr. DOGGETTE. Perhaps it would be helpful to the Chair if we indicated our areas of responsibility so you will know from whence we speak.

Mr. Enoff has policy responsibility in the Agency. I have responsibility for the operations of the Agency. And Mr. Sabatini has responsibility for the management functions and the assessment functions of the Agency.

I would like to comment just for a moment on the training of our technicians, such as our claims representatives—you had a few of those at the table just before us—and other technical employees like claims authorizers in other types of offices around the country. In order for these employees to assimilate all the material that they have to assimilate, we feel we have to give them more training. We do set aside time each day, which can be used for training when there is a necessity for training. As new instructional transmittals come out for those manuals, the time set aside to train the employees on those transmittals is during the first hour of the day. And I think that time is being effectively used.

I think where we do have a concern is that periodically, with a program, that is very complex to operate—even though you alluded earlier correctly that the RSI program was a simple program in purpose—with many steps that we have to go through to effect a single action often are voluminous, we think that we need to take some time periodically to give refresher training, to give people a

chance to get off the front line, to sit down and be refreshed, to be sure they really understand what the program is about, what we are trying to accomplish, and have a chance to be sure that they understand what we expect them to do to carry out their part of that program administration.

Under Mrs. McSteen, we are planning to have a major initiative this fiscal year to take a look at that issue of how we can make certain we are giving the technicians the sufficient refresher training so that they can do their jobs effectively, accurately, and well.

Chairman HEINZ. Let me ask you, Mr. Doggette, would you say that there is a really serious, very serious decay in public service in the Social Security Administration?

Mr. DOGGETTE. I think, Mr. Chairman, I would not put the adjectives in front of it. I think there has been a deterioration——

Chairman HEINZ. So it would just be a serious decay not a very serious decay.

Mr. DOGGETTE. I would prefer to say there has been a deterioration in public service that I have witnessed personally in this agency.

Chairman HEINZ. Would you consider it a major deterioration?

Mr. DOGGETTE. I think it is a deterioration that I do not like to see and I would like to see us correct, Mr. Chairman.

Chairman HEINZ. Well, here is why I ask. I think all of you were present while Mrs. Williams testified about the 17 months that it took to change the date of death; Mr. Badgero, the more than 9 months to straighten out their erroneously recovered and paid checks; and Mr. Welch on behalf of Mr. Freeland, regarding the 9 months to pay erroneously withheld checks, and in sum, the underlying theme of the beneficiary witnesses was that it takes a long time for SSA to make collections of a very minor nature.

And you yourself, I think, highlighted a major source of these delays when you stated in the September "Oasis," that program service centers have the heaviest workload you can remember, a backlog of nearly 2 million actions, up 50 percent—a 50-percent increase—from last year, and that this workload pressure has adversely affected processing time and accuracy.

Now, you may not choose to characterize that as serious, but anything that gets 50 percent worse in less than a year would strike me as serious.

But can you tell us why the PSC's are so backlogged, in my judgment seriously, and what you are going to be able to do about it in the short term?

Mr. DOGGETTE. Yes, sir, Mr. Chairman. The program service centers, the PSC's, as we call them, do have very heavy workloads right now, and part of the reason for that is because we decided over a year ago to take advantage of the capacity that was being introduced in our computer systems. We were able to get some new machines, state-of-the-art machines, in the computer operation, which were able to do the work faster than the old machines had in the past. We were backlogged on some of our recomputation work—it is referred as to the AERO workload, by several years. We were told in Operations that we now had the capacity with these larger machines to do all of that work that was backlogged in the computer system and catch it up. Now, every time we do a major

computer run—for example, when we do the cost-of-living increase, which we have just completed, and which will be coming in the checks in January, or the first of the year, we have a large fallout of manual work that has to be done by technicians. Someone has to look at it and actually do what the computer was not able to do. For a large run, there may be half a million items, for example, that will fall out of the computer system. Those items will go to the program service centers. When we decided to catch up on the backlogged systems runs, it produced several large dumps of manual work that had do be done in the program service centers. We had to make a decision then as to whether or not to slow the computers down and let the work stay in the computer part of the system, or to run the computer part of it and get that manual work out and control it in the program service centers.

We made the decision to run the computer programs because that will pay a large number of people in an automated mode, and to give us in operations the manual work, and we will control it in the program service centers. In addition to catching up on that AERO or recomputation workload, we had a number of other large workloads, one of which was the enforcement of the annual earnings test workload, for example, which is related to the annual reports beneficiaries who work must send to us. We said, "Run those, too. Let's catch up on all the systems runs, get all the work done that we can do in an automated mode and give us in operations all the manual work, and we will control that and work it in a priority fashion in the program service centers." That is the primary reason why those workloads jumped so drastically. We expected them to jump.

During that time period, we have done several things. We have had to emphasize working certain workloads first. For example, initial claims—we feel it is very important when a citizen files a claim that we give that as good a service as we can, as quickly as we can, so we have emphasized as a priority working initial claims first. Then, next in line, we work those cases affecting an ongoing payment to a person, and so on, as we work our way down to what is still important work but of a less high priority. Those backlogs are still there, and it will take us probably, Senator, over a year or so to work those back down to what I consider to be more normal levels.

Chairman HEINZ. Well, let me put it another way. Are you saying, when you say it will take a bit more than another year, that 2 years from now, there will not be, except in extraordinary circumstances, another Mrs. Williams in here who has had to wait 17 months to change an erroneous date of death?

Mr. DOGGETTE. Mr. Chairman, I sincerely wish I could say that, but I cannot at this point, because to say that——

Chairman HEINZ. So what you have just described is not going to deal sufficiently with that kind of problem?

Mr. DOGGETTE. Partially, but not totally. The other part of it has to be the improvement——

Chairman HEINZ. Well, nothing is ever total, I guess, except when you program in the beneficiary's death and it is accurate.

Mr. DOGGETTE. Well, I would say there will still be a major part of the problem that our work in reducing those program service

center workloads will not fix. We have got to fix the software in our systems so that we do have the ability to enter in changes immediately. As Mr. Harris mentioned, now we do not get an immediate response when we put an entry into a system telling us whether it "took" or did not take on the master record. That is because we do not update the master record directly from that input; it goes through another operation. But once we get the master record online, then we will be able to make an entry against it and get a response and find out if that change has actually been made to the master beneficiary record.

That effort is a part of the systems modernization project.

Chairman HEINZ. I would imagine that when you get around to implementing that, that you are going to be very cautious about the way you do it.

Mr. DOGGETTE. One of our major concerns has been the security and the integrity of all of our systems. It is extremely difficult in today's computer systems environment at SSA, with the sort of disjointed systems that we have to work with, to accomplish our job to maintain the level of security and integrity that we need in the system. We do have a high degree——

Chairman HEINZ. If vou go to an interactive system where corrections can be made at the district office level, it is going to be more difficult, isn't it?

Mr. DOGGETTE. Extremely difficult, but the technicians tell us that there are techniques that can be used, and we are exploring those, to make certain that we build them in as we are rewriting the software and redesigning the programs.

Chairman HEINZ. Well, it sounds to me that although you are certainly trying, that we have got a long road ahead of us.

Mr. DOGGETTE. I would agree with you.

Chairman HEINZ. Now, is it true, as Mr. Harris and the others said, that Social Security really wants to close all these field offices and lay off a lot of people?

Mr. DOGGETTE. May I ask Mr. Sabatini, who has that responsibility, to respond?

Chairman HEINZ. Mr. Sabatini, is that right?

Mr. SABATINI. Senator, I think we have said, and I think it is inevitable, that as we proceed down the path toward systems modernization and are able to process our workloads in a more efficient manner, that there will not be as much labor intensity involved.

Chairman HEINZ. But you are not there yet.

Mr. SABATINI. We are not there yet. And we have made a commitment, as we started out in systems modernization, that we were as concerned about the displacement of people as we are for the modernization of the system.

I think that one of the things that a modernized system will allow us to do is to get away from the situation we face currently today in which, basically, the people in our operating components who are the backbone of this Agency, and have kept the Agency going, and do an absolutely superb job, have found themselves over recent years becoming almost slaves to the data processing system that we have in place. It is an inefficient, antiquated system, and by and large, unfortunately——

Chairman HEINZ. Yes, GAO explained that to us.

Mr. SABATINI. And we make no secret of that, and that is the fact.

Chairman HEINZ. Just to get at the question, what are your plans to close offices and lay people off?

Mr. SABATINI. We foresee no massive displacement of personnel in the immediate future.

Chairman HEINZ. What was that?

Mr. SABATINI. We see no massive displacement of personnel, layoffs, in the immediate future. We are looking to develop a rational plan that will allow us to redeploy resources, so that we can turn our focus of attention to an agency that serves the public as opposed to serving the computer.

Chairman HEINZ. The administration 2 weeks ago announced a plan to downgrade some 40,000 Federal jobs in the GS-11 to GS-15 range. If you got your pro rata share of that, that would be about 1,400 positions that would be affected. Would you anticipate that would be a help or a hindrance in your field office operations?

Mr. SABATINI. I would think that in our field office operations, it would not have a significant impact. The journeyman level and the claims rep, who is the backbone of our field operation, is a grade 10. I think that——

Chairman HEINZ. This would just affect the supervisors?

Mr. SABATINI. It would affect supervisors and staff levels in headquarters.

Chairman HEINZ. Just the people who have to know what's in the operation.

Mr. SABATINI. Well, it might affect the people who write that stuff, Senator.

Chairman HEINZ. Well, I do not think there is any way——

Mr. SABATINI. Well, there may be fewer people writing it, and therefore fewer pages issued.

Chairman HEINZ. But my question is, Will this affect the supervisory people?

Mr. SABATINI. It would affect supervisory levels and staff levels in headquarters, primarily.

Chairman HEINZ. How many field office, area office, and district office, that is, nonheadquarters, people would it affect?

Mr. SABATINI. I do not have that answer. I could get it for you and submit it.

Chairman HEINZ. I wish vou would, because you just said it is going to affect mainly headquarters people.

Mr. SABATINI. Pardon me?

Chairman HEINZ. You just said that you thought it was going to affect mainly headquarters people.

Mr. SABATINI. Yes, staff level components——

Chairman HEINZ. But you do not have any figures to back that up.

Mr. SABATINI. We could qive you that breakdown of GS-11's through GS-15's. And we are also, by the way, in terms of ratio of supervisors to operations people, in much better shape than the rest of the Federal Government. Our ratio has been and is quite good.

[Subsequent to the hearing, Mr. Sabatini submitted the following information:]

There are approximatley 17,000 SSA employees in grades 11 through 15. Of this number, there are 4,819 grades 11 through 15 supervisory positions in SSA field offices. This includes 74 GS-14 area directors, 639 GS-12 to GS-14 district managers, 641 GS-11 to GM-13 assistant district managers, 711 GS-11 and 12 branch managers, 2,600 GS-11 operations supervisors, and 154 GS-11 and 12 other field office supervisory positions. The remaining 12,182 employees in grades 11 through 15 are in staff and supervisory-type positions throughout the agency.

The administration's announced intent is to cut grades 11 through 15 positions governmentwide by 8 percent over the next 4 years at an annual rate of about 2 percent. Although SSA has not received specific implementing instructions, it appears that we will have the flexibility to insure that the imposed reductions do not adversely affect critical field supervisory positions.

Chairman HEINZ. Well, I have quite a few more questions that I would like to submit to you all for the record, if you would be kind enough to respond—probably one or two each.

There is one question that I suppose is properly asked of Mr. Enoff—maybe it is Mr. Sabatini, on management—but it is this. Reference was made to your management-by-objective performance appraisal system. Who is in charge of performance appraisal?

Mr. SABATINI. I am.

Chairman HEINZ. Well, we got one straight answer out of this. To what level of supervisory personnel, or to what level do you apply the performance appraisal system that was described earlier?

Mr. SABATINI. The merit pay performance system, which is—our management-by-objective system, the appraisals, really applies to all levels. Down through the GS-13 level, the achievement of those objectives directly relates to the amount of the pay increase that is received. These are the merit pay positions.

Chairman HEINZ. Down to GS-13.

Mr. SABATINI. Yes.

Chairman HEINZ. And those are all merit pay?

Mr. SABATINI. Yes, sir.

Chairman HEINZ. That reaches pretty far down. That reaches the district managers of small offices, which are 13's, large offices; it does not reach assistant district managers and branch managers.

Mr. SABATINI. Well, assistant district managers at the grade 12 level, although not directly involved in the merit pay system——

Chairman HEINZ. I stand corrected. Assistant district managers of large offices would be 13's.

Mr. SABATINI. Assistant district managers in large offices are GS-13's, whereas in smaller offices they may be GS-11's or GS-12's.

Chairman HEINZ. So that would reach pretty far down.

Mr. SABATINI. Yes, sir.

Chairman HEINZ. Could you supply the committee with a copy of your MBO system for the 15's through 13's?

Mr. SABATINI. Yes, sir.

Chairman HEINZ. And do you understand what I want? I want the——

Mr. SABATINI. We will submit model plans, if you like.

Chairman HEINZ. Here is what I want, so there is no misunderstanding. It is one thing to supply just the performance appraisal forms. It is another to supply the documentation that hooks them into the overall management objectives for the agency, and therefore, you have to specify to us what your management priorities in fact are, so that we can see the way they track, through down to

your performance appraisal. And usually, the management objectives proceed from certain other policy option documents, which specify that we can only pursue 5 priorities; there are 20 that we could pursue; we recommend this, and here is why we recommend it, because we think we get the biggest bang for the buck, and these other 15 will have to wait sometime. So what I would really like to receive from you is that system.

Mr. DOGGETTE. Mr. Chairman, if I may please, we can provide you with that, but Mrs. McSteen is in the process of reviewing our priorities, and we have just reestablished some of our priorities. But we can provide you with our currently established——

Chairman HEINZ. I would like the old ones, the ones that were operative during 1982 and 1983.

Mr. DOGGETTE. During the last fiscal year.

Chairman HEINZ. Yes, the last fiscal year.

Mr. DOGGETTE. Fine.

Chairman HEINZ. That would be the best one.

[Subsequent to the hearing, the following material was submitted for the record: [1]]

The Social Security Administration uses the Performance Planning, Review and Appraisal System. The objectives of this system are to increase managerial and organizational effectiveness. To this end, the system integrates performance planning and appraisal into the process of managing performance. For example, at the beginning of FY 1983, the Deputy Commissioner for Operations identified those objectives that he thought were of the highest priority for SSA operations, including improved services to the public. These were included in his Senior Executive Services (SES) performance plan. Similarly, such objectives were contained in the plans for executives at lower levels, e.g., the SES plans for the Associate Commissioner for Field Operations and the Regional Commissioners. At the merit pay level, these were translated into the performance plans of the Assistant Regional Commissioners for Field Operations, Area Directors, District Managers and Assistant District Managers.

Chairman HEINZ. Well, gentlemen, you clearly have your work cut out for you. I do not envy you your responsibilities. If there is one thing I would say in closing, it is that I have no reason to believe that anybody in the Social Security Administration wants the public service functions of this agency, which has great traditions, to deteriorate.

On the other hand, we know there is deterioration. Mr. Doggette has been frank about it, and I think the general public not only is aware of it, but keenly feels it on an individual spot basis far too often, and that is in spite of the best intentions. I would suggest that we really have a critical situation—not that every other check is wrong; not that even maybe one person in five is having a problem this year—we are told that one in five are having a problem every 5 years—but that the problem is getting worse, not better, even as you are trying to make the hardware and software choices that are going to be important to the improvement of the agency's performance.

There are a lot of management issues that are not simple management issues.

The three of you sit there, one of you representing policy; another, operations; the third, management. And you, Mr. Doggette, I

[1] Copies of merit pay plans submitted by the Social Security Administration are retained in committee files.

assume, deal with computers, hardware, and systems, to a large extent; that would be a part of your responsibility, I assume.

Mr. DOGGETTE. Mr. Chairman, we have a fourth Deputy who is responsible for systems, who is not here this morning.

Chairman HEINZ. I do not quite know what the distinction between operations and systems is, and maybe I should not ask. But on the other hand, Mr. Sabatini is responsible for management, and here is policy over here. And you are talking about interrelating policies that may have a lot to do with budgetary needs of Dave Stockman. You may have to be implementing a series of operational decisions, or your cohorts in computers, having to do with streamlining the flow of paper and making these charts, if not simpler, at least flow more smoothly. Mr. Sabatini is trying to figure out how to interrelate in some set of instructions to management what the performance objectives of this huge system are, even as you, Mr. Doggette, I assume, are trying to explain to people what is contained in these 9—I stand corrected—12 feet of manuals, which may have nothing to do with what Mr. Sabatini is explaining and possibly is in conflict with whatever Mr. Enoff would like to see achieved in terms of saving money for the U.S. Government.

And I am not saying this is any kind of evil plot of an evil empire. All I am saying is that it is rife with conflicts. It requires superlative management skill and unusual dedication to public service to harmonize all these elements and to pull it off in a way so that the public, which after all pays all our salaries, does not experience an unacceptable level of public harm. There are instances of serious public harm here, which I think we have documented.

So I sincerely mean it when I say I do not envy you what you have to do, but I also have to say that we in Congress are determined that you succeed. But let me say, speaking for myself—I have a very uncomfortable feeling that the sum of all these parts is not the sum Congress wants. I cannot prove it, and this is not an indictment. But I have the feeling that too much is being asked of the system by too many people. I have the feeling that Dave Stockman is asking too much in the way of savings. I have the feeling that Congress is asking you to do too much in the way of different kinds of programs. I have the feeling that OPM types are asking employees to do too many things that they cannot do and do the other parts of their jobs. And I have the feeling that when you put this all together, it does not add up to an integrated whole that will produce the range of satisfactory results that we and you all want to have. And that, I suppose, is a fitting conclusion to this hearing, because we are going to have a second hearing, and Commissioner McSteen, presumably with vour wisdom and assistance, will be invited back in the spring to explain, or hopefully, disprove, the thesis that I just propounded to you, which is that indeed, the direction is right, the resources are right, the integration of effort and priorities, whether they be management priorities, operational priorities, systems priorities, or policy priorities, all those really fit, and the system is on its way to not just fiscal health, but public service health, as well.

So in conclusion, we thank you for being here. We do not envy you your work, but we certainly do hope you succeed.

Thank you all very much.

Mr. DOGGETTE. Thank you.

Mr. ENOFF. Thank you.

Mr. SABATINI. Thank you.

[Subsequent to the hearing, Senators Heinz and Percy submitted questions in writing to Commissioner McSteen of the Social Security Administration. Those questions and Commissioner McSteen's responses follow:]

Question 1. What is SSA's current policy with respect to notification of supposedly deceased beneficiaries or their survivors that erroneous EFT payments are to be recouped by the Treasury?

Since Congress did not make any distinction in the Social Security Act between living and deceased beneficiaries and their dependents with regard to recovery and waiver of overpayments, on what basis does SSA justify lack of notification and denial of due process rights in the case of a supposedly deceased beneficiary?

In light of the testimony presented by Ms. Williams and Mr. Badgero about the errors in reporting and recording deaths, what change is SSA planning in notification procedures to assure beneficiaries and survivors are forewarned of a possible Treasury recoupment?

Response. SSA notifies Treasury whenever we receive information indicating that a payment has been made after the death of a beneficiary. In cases where a spouse was receiving benefits on the deceased beneficiary's record, we automatically entitle the surviving spouse to widow(er)'s benefits and notify the individual of the new benefit status and amount. If, as happens in many cases, the surviving spouse contacts SSA, we inform him or her if an erroneous payment to the deceased beneficiary has been made. In cases in which we learn of the death from a source other than the surviving spouse or a family member, we do not attempt to locate and notify survivors that an erroneous payment is subject to recovery by Treasury.

With regard to possible change in SSA's notification procedures regarding recovery of erroneous payments, SSA is participating in an effort, led by Treasury, to see if there are ways to notify possible coowners of accounts into which recurring Federal benefits payments have been made before an erroneous payment is recovered. This effort will consider various methods and the costs of each.

We believe that the determination of SSA not to treat erroneous EFT credit payments made to a deceased beneficiary as an overpayment is consistent with congressional intent regarding the treatment of an overpayment under section 204 of the Social Security Act. Congress has consistently indicated that section 204 of the Act applies to situations where more than the correct amount of payment has been made to a person where that person is the recipient for whom the payment was intended.[1] A person is only entitled to a payment while he or she is still alive. See, e.g., section 202(a) of the act (entitlement to old age insurance benefit ends "* * * with the month preceding the month in which an individual dies.") Thus, we believe Congress clearly intended that section 204 of the act apply only when more

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[1] In Defendants-Appellees Brief filed on July 20, 1982, in the case of *Dockstader* v. *Miller*, with the United States Court of Appeals for the Tenth Circuit, the Federal defendants described the congressional intent behind the treatment of overpayments:

The Secretary of HHS' determination not to treat erroneous payments to deceased beneficiaries as overpayments is also consistent with congressional intent behind section 204 itself. Congress has consistently indicated that section 204 applies to the situation where more than the correct amount of payment has been *paid to a person* where that person is a recipient for whom the check was intended. *See* S. Rep. No. 744, accompanying the Social Security Amendments of 1967, 90th Cong., 1st Sess. 257 (1967), reprinted in 1967 U.S. Code Cong. & Adm. News p. 3096 ("* * * where *a person is paid more* that the correct amount, the overpayment shall be adjusted, or recovered under regulations prescribed by the Secretary, by requiring the overpaid person or his estate to make a refund * * *)" [emphasis added]; S. Rep. No. 404, 89th Cong., 1st Sess. 121 (1965), reprinted in 1965 U.S. Code Cong. & Adm. News p. 2061-62 ("* * * the Secretary of Health, Education and Welfare should have the authority to recover overpayments of Social Security benefits to a *living person*" by witholding benefits of other people getting benefits on the same earnings record.") [emphasis added]; H.R. Rept. No. 728, accompanying the Social Security Amendments of 1939, 76th Cong., 1st Sess. 42 (1939) ("Section 204(a). This subsection provides that *errors in payments to an individual shall be adjusted by increasing or decreasing subsequent benefits to which such individual is entitled.*") [emphasis added.]

Since a payment may only be made to a person while he is still alive, Congress clearly intended that section 204 applies only when more than the correct payment is made to the designated payee, that is, a living person, and not when an erroneous payment is made to a deceased beneficiary.* * *

than the correct amount of payment is made to the designated payee, that is, the living beneficiary of that payment, and not when an erroneous EFT credit payment is made to a decreased beneficiary.

An individual who had a joint account with a deceased beneficiary has no entitlement to the receipt of erroneous EFT credit payments made to the deceased beneficiary through that account. Those payments are not (and, legally, cannot be) made to the joint accountholder. They are erroneously made to the deceased beneficiary through crediting the account. Thus, SSA has no statutory obligation to notify a joint accountholder of the termination of benefits to a deceased beneficiary of that joint account. Further, since the reclamation of erroneous EFT credit payments is made by the Department of Treasury against the financial organization which incorrectly credited the deceased beneficiary's account and is not directed by SSA at the holder of the joint account, SSA has no obligation under statute or the Fifth Amendment to the Constitution to notify the holder of the joint account of any pending reclamation action by the Department of Treasury. Since SSA has no legal obligation to notify a joint accountholder, SSA's policy does not amount to a denial of due process rights.

The SSA position has been upheld by the U.S. Courts of Appeals in two Circuits. In *Dockstader* v. *Miller*, the Court of Appeals for the Tenth Circuit in October, 1983, agreed with the SSA determination not to treat erroneous EFT credit payments made to a deceased beneficiary as an overpayment. The court ruled that erroneous EFT credit payments made to a deceased beneficiary in a joint account are not overpayments of benefits to the other joint holder of that account and, thus, are not subject to the procedural due process safeguards of section 204(b) of the act. In addition, the court found that the bank's debiting the plaintiff's account to cover the Treasury Department's reclamation of the erroneous payment from the bank was not governmental action giving rise to a claim of denial of due process rights under the Fifth Amendment to the Constitution.

In a somewhat similar case involving erroneous check payments made to a deceased beneficiary, the Ninth Circuit held in *Powderly* v. *Schweiker*, 704 F.2d 1092 (1983), that the plaintiff/widow who cashed the checks which were payable to her deceased husband was not entitled to the procedural due process safeguards of section 204 of the Act, which are intended to benefit only a designated payee, that is, the entitled recipient, and the widow was clearly not a designated payee. Moreover, the majority opinion in *Powderly* found that plaintiff's claim of a property interest in benefits erroneously sent to her deceased husband was groundless, and held that she failed to show that "* * * she was deprived of an interest that could invoke procedural due process protection" under the Fifth Amendment to the Constitution.

Question 2. Commissioner McSteen stated in her testimony that SSA was able though the 1960's to meet the challenges of major new legislation by increasing staff to handle increased workloads. In the last few years, however, SSA has launched the debt management initiative and accelerated the disability reviews at the same time as there have been substantial staffing shortages, without increasing staff. In particular, John Harris testified that the debt management initiative diverted field office staff from claims processing. What is SSA doing now or planning to do to respond to the hiring, recruiting and staffing problems referred to by many of the witnesseses, including GAO, in their testimony?

It has been alleged that SSA's use of overtime has increased in the last 2 years from about 2 percent of payroll to as much as 5 or 6 percent of payroll. To what extent is SSA using increased amounts of overtime in lieu of hiring additional full-time staff?

Response. With respect to your question about staffing, SSA has been granted schedule B authority from the Office of Personnel Management to recruit and place 1,200 claim representatives to replace losses due to attrition, promotion and reassignment. This authority was granted on July 14, 1983 and is effective through June 20, 1984. We have filled approximately 350 positions and will continue to fill vacancies up to the expiration date of the authority.

Workload and work-year statistics do not support the allegation that claims processing in SSA field offices has suffered as a result of the debt management initiative. At the end of fiscal year 1983, claims workloads pending in SSA's district and branch offices were significantly below the level budgeted, as summarized below:

CLAIMS PENDING IN SSA DISTRICT OFFICES AT END OF FISCAL YEAR 1983

	Budget plan	Actual performance	Actual as percent of budget
Retirement and survivors' insurance claims	219,496	130,979	59.7
Disability insurance claims	243,111	223,375	91.9
Supplemental security income claims	179,572	184,578	102.8
Total claims pending	642,179	538,932	83.9

Other workload pending levels also were well below budgeted levels as indicated by the overall pending workload rate of 83.6 percent of budget at the end of fiscal year 1983, while receipts during fiscal year 1983 were at 96.1 percent of the budgeted level. In addition, the percentage of overtime work-years to total work-years in the field was only 2 percent in fiscal year 1983, considerably less than the agency average of 4.5 percent. These facts do not indicate that field staff were "diverted" from processing claims in order to process debt management work.

The following table shows SSA's total work-years and the amount (and percent) of work-years achieved on overtime in recent years.

SSA/OCSE OVERTIME AND TOTAL WORK-YEARS

	Fiscal year—			
	1980	1981	1982	1983
Total work-years	86,539	85,958	88,163	89,452
Overtime work-years included in total	2,490	3,008	2,830	3,996
Overtime as percent of total	2.9	3.5	3.2	4.5

This table shows that SSA's rate of overtime usage of 4.5 percent in fiscal year 1983 was somewhat higher than the 3 to 3.5 percent rate worked in the 3 preceding years. In part, this reflects our efforts to stay within our staffing allocations. However, some of the work in the debt management and other areas was one-time work for which it is suitable to plan for increases in overtime. For example, in fiscal year 1983, the program service centers processed a lot of backlogged work, such as completing enforcement actions for earnings reported for 1978–1980 and part of 1981.

Question 3. In what way does the debt management project which SSA initiated in 1981 enable the agency to better meet its operational mission of providing the right check to the right person at the right time?

What effect has the debt management project had on workloads and backlogs at the payment centers? In what way has the reallocation of staff to debt management work affected the processing of claims and post-entitlement changes?

Response. The debt management initiative has three major aspects: Debt prevention, debt identification, and debt collection.

Although the two latter aspects have received the most attention, we regard debt prevention as being the most critical and having the greatest payoff. The regional commissioners' and field managers' performance plans historically have included and continue to include programmatic payment accuracy goals designed to minimize the occurrence of overpayments. This directly supports the agency's goal of the right check to the right person at the right time.

The remaining aspects, debt identification (specifically, identifying overpayments and moving them to resolution more expeditiously) and debt collection, also support the agency's mission. The knowledge that SSA will pursue debt owed to it encourages beneficiaries to report changes in their circumstances which, if unreported, cause overpayments to accrue. And, the recoupment of overpaid benefits makes available to the social security trust funds money which otherwise would be lost.

We are in the process of automating billing and followup actions on part of the debt collection workload and focusing support activities for this new process in the program service centers. Personnel in the program service centers who will be working on this will not be from claims or post-entitlement areas so the new process should have no appreciable impact on program service center backlogs or workloads. In fact, the increased emphasis on debt prevention should reduce the number of

manual actions and exceptions in the program service centers that result when overpayments occur, but we do not yet have any data to indicate that this has happened.

Question 4. Waivers are intended to protect needy individuals who receive overpayments through no fault of their own from a sudden loss of resources because of a recovery action. In this regard, waivers give beneficiaries a way to slow down or prevent an unreasonable recovery action, particularly in SSI where they are most likely to need their full income. What changes have there been in the last 5 years in SSA policy and instructions to field offices regarding waivers? What percentage of the SSI debt has been waived in each year?

On February 11, 1983, Social Security issued proposed rules to place a 60-day limit on an individual's right to a waiver and to make other changes in the waiver process. What is the current status of these rules? Is SSA planning on issuing final regulations or on withdrawing these proposed regulations in the future?

Response. A number of individuals and organizations objected to the proposed 60-day limit on requesting waivers of overpayments. After reevaluating the proposal, SSA has decided to withdraw it. There has been only one substantive change in SSA's policies or operating instructions on waivers during the past 5 years. In January 1982, the size of the SSI overpayments which could be waived on the basis that their recovery would impede effective or efficient administration of the program was reduced from less than $45 to less than $1. The effect is to establish the same rule for both the Social Security and SSI programs.

As a result of a court order, SSA is now scheduling personal interviews with all overpaid social security beneficiaries before denying a request for waiver. This procedural change does not affect the conditions under which waviers may be granted, however.

The following table shows the dollar amounts of SSI debt waived (based on administrative convenience or because recovery would defeat the purpose of the SSI program or be against equity and good conscience) and written off and those amounts as a percentage of total debt cleared (i.e., collected, waived or written off) during each of the last 5 fiscal years. For fiscal years 1982 and 1983, total debt cleared includes amounts attributable to the offsetting of retroactive social security benefits by the amount of SSI benefits already paid which would not have been paid had the social security benefits been paid on the regularly scheduled payment dates. This administrative collection procedure is required by law and these amounts cannot be waived. Therefore, the percentage of debt waived for these two years is artificially low when compared with prior years.

SSI OVERPAYMENTS WAIVED AND WRITTEN OFF

[Dollars in millions]

	1979		1980		1981		1982		1983	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Waived	90.0	42.0	76.8	36.7	48.4	29.0	34.0	12.7	35.0	5.3
Written off	20.2	9.5	16.5	7.9	7.8	4.7	−1.2	[1] −.4	313.1	[2] 47.4
Total	110.2	51.5	93.3	44.6	56.2	33.7	32.8	12.3	348.1	52.7

[1] Represents uncollected amounts previously not included in outstanding SSI debt.
[2] Represents a one-time writeoff of certain types of SSI backlogged debt such as cases where the debtor died prior to January 1, 1982.

From the point of view of beneficiaries, it may also be useful to look at how requests for waivers of SSI overpayments are decided.The only available data on this point come from the manual workload counts by field offices. These data show that about 75 percent of beneficiary requests for waivers of SSI overpayments are approved.

Question 5. Why was SSA unaware of the previous waiver which was granted in the Rusnak case (Ms. Ballock), and of the previous GAO recovery of the overpayment to Mr. Freeland (Mr. Welch's testimony)?

Mr. Rusnak's case appears to be one of the 385,000 SSI backlogged debt cases SSA targeted for collection in fiscal year 1983. Many of these cases had previously been waived under a special "without fault" presumption applying to old SSI debt. What effort was made when these cases were released to determine from individual records whether or not the debt had been previously waived, collected or written off?

Why did SSA pursue old SSI debts when it was not clear whether the debt was still outstanding?

Response. At the time cases were released to the field under the backlogged debt collection project, SSA was unaware of the previous waiver in the Rusnak case and of the previous GAO recovery in the Freeland case because neither event was recorded on the Supplemental Security Record (SSR). These two overpayments remained on the SSR, despite having been resolved, because SSA either failed or was unable, because of systems limitations, to record on the SSR information about the resolution of the debt which would have precluded selection of the cases under the backlogged debt project.

Before trying to collect the backlogged debt, we did not review claims folders, which might have revealed some prior resolutions not otherwise recorded, because most folders were unavailable to field offices. As a result, collection activity was initiated inadvertently for a small percentage of cases where the SSR had not been updated to reflect prior resolution of the overpayment. However, if a former recipient protested or questioned the existence of the overpayment, or alleged prior resolution of the debt, collection action was discontinued until the issue was resolved.

SSA has now alleviated this problem through systems improvements which require that all overpayment resolution information be posted to the SSR. Additionally, in order to prevent a future backlog, SSA is trying to resolve overpayments on a timely basis through a diary mechanism requiring more immediate field office action.

SSA decided to pursue old SSI debts because it was clear, based on the results of sample reviews and field tests, that the majority of backlogged debt records were valid and the debts potentially recoverable.

Prior to releasing backlogged debt records to field offices, SSA central office staff reviewed sample records to assess the accuracy of the methodology used to select the records from the SSR. Once assured that the records appeared valid, field testing of sample records was conducted. The tests revealed that the vast majority of the overpayments had not been resolved previously and could still be recovered.

Question 6. A GAO report to the Commissioner on March 19, 1982 indicated that field offices were receiving an average of 28 pages of instructions per day. Mr. Wachter has testified that work pressures reduce training time from what used to be an hour a day to almost never, and the SSA is reducing the number of POMS manuals available in the field office and requiring employees to share and circulate copies of the transmittals. What effort is SSA making to assure that claims representatives are kept informed on a daily basis of changes in policy and procedures, and that they have sufficient time to maintain their knowledge of the program?

Response. SSA does not maintain records on the basis of pages per office per day. We do, however, record the total number of transmittals and pages produced for any time period.

GAO reported that field offices receive an average of 28 pages of new or revised instructions daily. These changes to the POMS are necessitated by legislative changes, court orders, systems modifications and essential clarification of policies and procedures.

POMS instructions, however, are identified by audience and distributed selectively within each field office only to those employees who need a particular chapter of subchapter to carry out their specific functions. For example, a claims representative needs approximately 25 percent of the POMS to do his or her job. Service representatives and data review technicians need even less. Therefore, no single employee receives anything near an average of 28 pages of instructions per day.

We have formulated a plan to relieve most of the burden of filing transmittals in field offices. The plan for shared manual maintenance limits the number of manual sets in the field office based on the number of employees. The objective is to reduce the time spent by each employee in filing activity while keeping sufficient manual sets available for employee reference. In addition employees will be able to maintain a binder of new and frequently used material at their desks for quick reference.

When transmittals to the POMs are issued to inform field personnel of policy and procedure changes, a copy is provided for every person in each office who needs that information except in region III (Philadelphia). In that region an experiment was begun in early 1983 in which one copy is provided for every two employees in an identical position. This experiment in manual sharing by two employees in the same position was undertaken to determine the feasibility and efficiency of sharing instructions and to ascertain cost savings in printing and mailing of instructions.

After extensive discussions with other regions and employee representatives, however, we have agreed on a new national policy that will call for each field office employee to receive all appropriate transmittals for reading and training purposes.

Changes in procedures are disseminated to all field offices as rapidly as possible. When a change is so urgent as to preclude printing and mailing in a timely manner, the change is communicated to each office via teletype. Short implementation dates on legislation and court orders often require this rapid method of communication. Teletypes are always followed by replacement pages (transmittals) to the POMs in printed form.

Training time for field offices is provided for and is put aside in the budget. In our periodic visits to field offices we have not found situations where required training is not being conducted, and we will reaffirm that this is the case.

We are as an agency taking a new look at the whole Instructions System to determine if there are ways to improve it.

Question 7. Commissioner McSteen stated in her testimony that the new disk storage system sets the stage for the time when SSA can provide beneficiaries with immediate information about their cases and take immediate action to make requested changes. You also detailed the field office enhancement project as a major step toward achieving this goal. How soon do you expect this possibility to come about, when a beneficiary can walk into his local SSA district office, present his Social Security number and have a claims representative be able to access his file and change his address in the record or provide information about his benefits easily, accurately and within a matter of minutes rather than weeks?

Response. The field office systems enhancement effort is a major aspect of the claims modernization project (CMP) under the systems modernization plan. We are currently placing our efforts on Social Security initial claims processes and a revised systems architecture. We expect to be in a position to "pilot" the enhanced initial claims systems during the first quarter of 1985 and then to begin a 2-year phased national implementation in late 1985.

Meanwhile, we have already begun installing essential elements of the CMP for early payoff. For example, in the next few months our field offices will begin having immediate access to the most current Social Security Master Beneficiary Record of a client's information. In the summer, Social Security account number records will be immediately available.

The field office systems enhancement effort will provide local offices with the communications network and terminals to provide immediate service for new claims and immediate access to various records needed to respond to changes in a beneficiary's record. However, local offices will not be able to make immediate changes of address and other postentitlement changes to the master records until a new postentitlement system is designed and tested, which should begin soon after implementation of the CMP.

Question 8. We have seen a lot of interest lately in computer hackers and how easy it is for them to break into various systems. Of course, the SSA has very extensive information on millions of Americans which could potentially be of great interest to the right (or wrong) people. What is SSA doing to assure that the security and confidentiality of these records is protected?

Response. The feature in modern data communication and teleprocessing systems that enables outsiders to break into those systems is referred to as a dial-up port. Such a port is simply a commercial telephone line that goes directly into a computer system, and this can be a very useful tool. It permits a user to communicate with and use a computer system from any location where there is access to a telephone. Of course, the problem lies in the fact that anyone has access to that telephone line and can dial the computer just as the legitimate user can. The security problem in these instances is to identify and permit access to only legitimate users.

Some of SSA's various data communications networks do contain dial-up ports. However, those communications systems, which handle the personal information we maintain on SSN holders, and which process the transactions that determine how much money and to which address we pay people, are, with one exception, using dedicated communication lines to which only SSA equipment has access. These lines have no direct dial-up ports, so we can safely say that the so-called "hackers" cannot break into SSA's operating processes using the techniques that have received the recent publicity.

The exception referred to exists in the GSA data communications network, the advanced record system (ARS), where it is possible to enter material into our data communications system through other than dedicated lines. However, the hookup can be accomplished only through a return telephone call from the ARS message switching center to the terminal site. This method of entry is used by relatively few SSA input stations, and cannot be dialed directly, making it unavailable to hackers.

SSA is sensitive to security needs. We have had security staffs since the mid-1970's, and we have done much to make our processes secure. New technology and

work processing techniques continue to offer new security challenges, however, and an integral part of our systems modernization plan is building in the safeguards needed to maintain the security of the data in SSA's operational systems.

Question 9. It is well known that a substantial lag has existed for several years in posting earnings to individual earnings records, causing benefit recomputation to be delayed by as much as five years. Such a backlog not only results in erroneous benefit payments, but causes additional manual work for field offices attempting to update benefit information for beneficiaries. The October 1981 payment accuracy sample showed that 69 percent of the deficient underpayment cases were the result of delays in processing earnings records. I know that in the last two years, SSA has made a concerted effort to bring posted earnings up to date. Former Commissioner Svahn had stated last spring that he expected the posting of earnings for 1982 to be completed by the end of this year. What is the present status of the posting of these earnings to beneficiaries' records?

Response. We have completed processing about 95 percent of the over 190 million annual wage reports received for 1982 wages. The remaining items will require some manual processing.

Because of the improvements in the wage crediting process which we expect from the systems modernization plan, we expect to credit essentially all 1983 wages by late 1984.

In addition, we have undertaken a redesign of the complete wage reporting system to improve the speed and accuracy of this work as well as to reduce its administrative cost. Finally, because it is much faster and easier to process wage reports on magnetic tape, rather than paper, we have underway an initiative to urge more large employers to use this method.

Question 10. The acceleration of the disability review process has added a considerable number of work years to SSA's already overburdened workload. Specifically, where did the personnel to conduct these reviews come from? Were they displaced from other jobs within the agency? If so, what activities were reduced as a result?

Response. The major role in completing the continuing disability reviews (CDR's) is performed by the State disability determination services (DDS's), which make disability decisions on behalf of the Secretary. Sufficient resources were provided to the DDS's through the normal budget process to enable the States to accomplish budgeted review levels. Performing these reviews has not hampered the ability of the States to complete other disability determination workloads since sufficient additional resources were made available for the CDR work.

With the start of FY 1983, SSA field offices began initiating every CDR with a personal interview with the beneficiary. (Until that time, field offices had no direct involvement in medical CDR processing.) No additional personnel were added or displaced in SSA field offices specifically to conduct these interviews. Field offices were able to accomplish this workload because of increased productivity and because 1983 workloads were below budgeted levels.

Two other aspects of the CDR work are performed in SSA. Before cases are sent to the field office for the personal interview prior to the CDR, they are screened by disability examiners to determine if the CDR is appropriate. Then, after completion of the CDR by the DDS, a certain percentage of cases is reviewed by SSA as required by law, to assure that the continuance is appropriate. Most of this review is conducted in the Office of Disability Operations, one of SSA's large processing centers. The additional work years required to process the initial screening and subsequent review came for the most part from additional overtime and workload realignments. No personnel were displaced from other jobs within SSA and no SSA activities were reduced as a result of the disability review process.

Senator HEINZ. That concludes our hearing.

[Whereupon, at 1:07 p.m., the hearing was adjourned.]

APPENDIX

MATERIAL RELATED TO HEARING

ITEM 1. BACKGROUND MATERIAL ON HEARING, PREPARED BY THE STAFF OF THE COMMITTEE ON AGING

SOCIAL SECURITY ADMINISTRATION: STRUCTURE AND FUNCTIONS

The Social Security Administration (SSA) is the agency in the Department of Health and Human Services with administrative responsibility for the Department's income security programs. Social security administers the retirement and survivors insurance (RSI) and disability insurance (DI) programs which are financed by revenue from dedicated taxes on earnings (FICA and SECA) funneled through individual trust funds. (Medicare, the other trust fund program, is administered by the Health Care Financing Administration (HCFA)). In addition, SSA administers the supplemental security income (SSI) program and grants to States for income maintenance under title IV of the Social Security Act (aid to families with dependent children (AFDC)) which are financed by general tax revenues.

The Social Security Administration is the fourth largest agency in the Federal Government with a $195 billion budget in fiscal year 1984—$190 billion of which is expected to be cash payments to beneficiaries. The cost of administering these cash payments is expected to be about $5 billion. Cash payments for RSI and DI are expected to amount to $173.8 billion in fiscal year 1984, with an administrative cost of only $2.6 billion— less than 1.5 percent of the total cost of these programs.

FUNCTIONS

The functions of the Social Security Administration touch the lives of nearly every American. More than 270 million social security numbers have been issued, and an estimated 235 million persons have sufficient earnings credits to qualify for retirement and survivors protection. Each year 115 million workers are engaged in covered employment. SSA provides benefit payments each month to more than 38 million beneficiaries.

RETIREMENT, SURVIVORS, AND DISABILITY INSURANCE (RSI AND DI)

Retirement and survivors insurance (RSI) and disability insurance (DI) benefits are the basic benefits provided under title II of the Social Security Act. They are based on a worker's earnings in social security covered employment and are designed to replace a portion of the income that individuals and families lose when workers retire, die, or become disabled. In August 1983, 35.5 million individuals were receiving RSI and DI monthly benefits. Beneficiaries included 28.7 million retired workers and their spouses, widows, widowers, and parents, and recipients of special age 72 benefits; 3.4 million children of retired, deceased, or disabled workers; 0.5 million young widowed parents of surviving children; and 2.9 million disabled beneficiaries and their spouses. In fiscal year 1983, $165 billion in benefits were paid to RSI and DI beneficiaries.

SUPPLEMENTAL SECURITY INCOME (SSI)

The Social Security Administration also administers the supplemental security income (SSI) program under title XVI of the Social Security Act to provide financial assistance to needy aged, blind and disabled individuals. SSI was established in 1974 to provide uniform benefit levels and eligibility requirements nationwide in place of previously State administered public assistance programs. Monthly cash benefits come from general revenue funds managed and accounted for by SSA. State payments supplementing the basic Federal benefit are also administered by SSA for 26 States and the District of Columbia. During July 1983, 3.9 million people received SSI benefits. Of these 1.5 million were aged, and 2.4 million were disabled or blind.

Federal SSI payments for July 1983 were $818 million. Federal SSI payments in fiscal year 1984 are expected to total $7.8 billion.

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

SSA also operates the Federal role in the AFDC program. This includes providing matching grants from Federal general revenues to defray a portion of the States costs of providing financial assistance to needy children, approving grants to improve automated systems support for AFDC, and providing administrative and technical guidance to States agencies. In fiscal year 1982, an average of 3.6 million families a month were receiving AFDC benefits. Total AFDC payments in fiscal year 1982 were $13 billion of which $7 billion was the Federal share for AFDC and emergency assistance payments. In addition, $863 million in Federal funds were spent in administration and training of State personnel.

ADDITIONAL FUNCTIONS

In addition to its responsibilities for administering income security programs, SSA also provides substantial support to programs sponsored and administered by other government agencies:

Medicare.—Although HCFA now administers the medicare program, SSA continues to handle many of the day-to-day Medicare functions, including the determination of eligibility for benefits, issuance of medicare cards, maintenance of the master health insurance (HI) record, and handling of appeals, problems, and public inquiries.

Black lung.—SSA administers the payment of part B black lung claims for about 340,000 black lung beneficiaries who filed claims prior to July 1, 1973, and takes about 10,000 claims a year for part C benefits for transfer to the Department of Labor.

Food stamps.—SSA takes food stamp applications from SSI recipients and and applicants who live in households where everyone either receives SSI or is applying for it.

Low-income house energy assistance.—SSA administers this program which in fiscal year 1982 provided $1.9 billion in funds to assist low-income households offset the cost of home energy.

Refugee assistance.—SSA administers Federal funds appropriated to reimburse State and local public assistance programs for refugee assistance.

Child support enforcement.—The Commissioner of Social Security acts as director of the CSE program.

ORGANIZATIONAL STRUCTURE

SSA employs (as of September 1983) a total of 87,353 personnel nationwide to provide services to beneficiaries—74,511 of these are full-time permanent employees. At SSA headquarters in Baltimore, 9,900 employees provide policy and program direction to the field offices. Another 5,000 employees operate the automated data processing (ADP) and data storage facilities in Baltimore.

Field offices are organized under a regional structure of 10 regions. The regional offices, with 3,500 employees, are headed by a regional commissioner with direct line authority over the activities of the field offices in the region. Another 42,700 employees are in the 1,340 district and branch offices, 3,400 contact stations, and 33 teleservice centers which serve as the primary point of contact for the public.

Six program service centers (PSC's), with 15,500 employees, process, review and approve transactions which the local offices cannot handle. Assignment of cases to PSC's is based on the first three digits of the worker's social security number (related to the geographic area of birth). The Office of Disability Operations, located in Baltimore, operates as the PSC for the DI program. In addition, four data processing centers, employing 5,000 employees, transfer data from source documents to magnetic tape and handle other record keeping functions.

The Office of Hearings and Appeals, with 4,700 employees in hearings offices, processes claimant requests for hearings before an Administrative Law Judge (ALJ) when they disagree with a reconsideration or determination of benefits.

Social Security Administration personnel

Full-time permanent employees	74,511
Part-time permanent and temporary employees	12,842
Total employees on duty, Sept. 17, 1983	87,353

Headquarters employees[1] (approximately)	9,900
Field and other operational employees (approximately)	77,500

Breakdown of field and operational components

[Approximate number of employees]

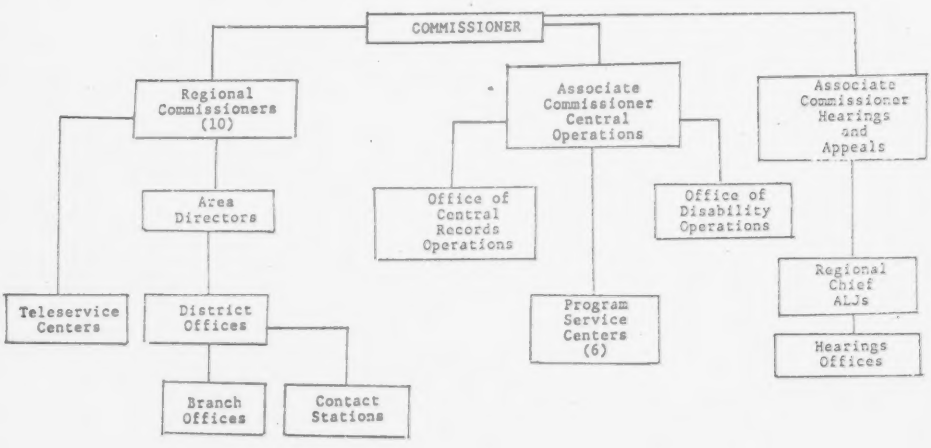
District offices, branch offices, teleservice centers, and contact stations	42,700
Program services centers	15,500
Office of disability operations	6,100
Data processing centers (record-keeping)	5,000
Hearings offices	4,700
Regional offices[2]	3,500

[1] This figure for headquarters employees excludes personnel in various field or operational components of the Agency located in the Baltimore area and headquarters complex. These components include the Office of International Operations, Office of Disability Operations, and the Office of Central Record Operations among other entities.

[2] In additional to staff working directly on the social security cash programs, the Regional Offices include personnel working on the Child Support Enforcement and Aid to Families With Dependent Children programs.

Source: Derived from data included in Staff on Duty report for the week ending 9/17/83, Office of Financial Resources, SSA.

FIELD OPERATIONS ORGANIZATION CHART



LOCAL OFFICE ORGANIZATION AND OPERATIONS

PERSONNEL IN THE LOCAL OFFICE

District and branch offices have a mixture of clerical, professional and managerial personnel:

—Claims development clerks (GS-4) provide general clerical support.
—Data transcribers (GS-4) key data into the ADP system.
—Data review technicians (up to GS-7) transcribe claims information taken by claims and service representatives to data entry forms and review for completeness.
—Service representatives (GS-7) interview beneficiaries and process post-entitlement actions.
—Claims representatives (GS-10) interview claimants and process initial claims for benefits.
—Operations analysts (large offices only) (GS-10) conduct ongoing quality reviews of claims prepared by claims and service representatives.
—Operations supervisors (GS-11) oversee groups of claims and service representatives, and serve as a technical resource.
—Branch managers (GS-12) oversee the operations of branch offices.
—Assistant district managers (large offices only) (GS-13) assist in managing the operations of district offices.

—District managers (GS–13 small office, GS–14 large office) oversee the operations of district offices and related branch offices.
—Area directors (GS–14) oversee the operations of district offices in the area, and report to the regional office.

PROCESSING CLAIMS AND POST-ENTITLEMENT ACTIONS

Interviewing

The procedure for taking and handling a claim for social security benefits varies depending upon the nature of the claim. In general:

When an claimant first arrives, the receptionist identifies the nature of the case and refers it to the appropriate group of claims representatives. Claims representatives are usually trained to handle only title II (RSI and DI) claims or title XVI (SSI) claims. A claims representative interviews the claimant and completes the application. Claimants applying for title II and title XVI benefits will be interviewed by two different claims representatives. The application form (SSA 250) completed by the claims representative is passed to the claims development clerks who make up a folder for each claim. Two folders are created for applicants who apply for both title II and title XVI benefits.

Processing Initial Claims

RSI claims generally fall into two authorization categories: 1) "DOFA" or district office final authorization claims—those that can be authorized by local office personnel without PSC review, or that require PSC clerical review and processing, and 2) "PSCA"or program service center authorization and claims which are reviewed and given final authorization by the PSC because they have "conspicuous characteristics" which complicate benefit computation. About 70 percent of the RSI claims are DOFA monthly benefit claims, and 19 percent are PSCA monthly benefit claims. Another 11 percent are lump-sum only claims.

While most the claims are now processed by computer, a fourth of all initial claims still require manual benefit computation. There are three methods used in processing claims: fully automated processing through the Claims Automated Processing System (CAPS), fully manual processing through the manual adjustments, credits, and awards process (MADCAP), and semiautomated processing through the electronic accounting machine (EAM). Overall, 70 perent of all claims are processed by CAPS, 23 percent are processed by MADCAPS, and 7 percent are processed by EAM.

"DOFA" claims are more likely to be initial claims and to involve fewer manual computations and have fewer complications. 78 percent of "DOFA" claims are processed through CAPS, another 8 percent can be processed through EAM. Only 14 percent of the "DOFA" claims have to be processed by MADCAPS.

The general process for CAPS processing of a "DOFA" claim is as follows:

Data review technicians extract data from the application forms, code them for data entry and check to make sure the necessary data are coded, the completed claim is transmitted, along with a request for a summary earnings record (form SSA 1799), via SSADARS (SSA data acquisition and response system) from terminals in the district or branch office to headquarters computers.

Local office data input is entered into the claims automated processing system (CAPS) which uses the earnings record to automatically determine the insured status of the claimant, establish a date of entitlement, compute the primary insurance amount (PIA), compute work deductions, and calculate a monthly benefit amount and develop an award notice to the beneficiary.

The claims representative is notified via SSADARS of the benefit amount, and must approve the benefit determination before an award is made. Once an award is approved, payment information is included on a payment tape which is transmitted to a program service center for delivery to one of the Treasury's regional disbursing centers.

Once an initial claim is processed, a master beneficiary record (MBR) is created for the claimant which includes all pertinent information about the individual's RSI claim.

Claims which cannot be processed through CAPS but meet the requirements for EAM processing are mostly subsequent auxiliary survivor claims such as awards of spouse's benefits after the wage earner is on the rolls. Claims which do not meet CAPS or EAM requirements and must be processed through MADCAP involve more complex situations such as working beneficiaries in multiple households when the family maximum is involved, entitlement on more than one earnings record, prior

overpayment or underpayment cases. Typical MADCAP cases would be a wage earner retiring who is already entitled as a widow, or a wife who is also insured on her own account claiming benefits as a spouse.

Most claims requiring PSC authorization require MADCAP processing. 64 percent of the "PSCA" claims are handled through MADCAP. 19 percent are processed by the district office through CAPS but require a PSC authorization or "trigger". Of the remaining claims about half are processed through EAM and the rest are denials or withdrawals.

Processing Postentitlement Actions

In addition to processing claims, SSA processes postentitlement changes to keep the data base used to make and adjust payments to 35 million beneficiaries up-to-date. The postentitlement system reacts to those events which affect the continuing eligibility or the amount of payments for social security beneficiaries.

Events requiring post-entitlement (PE) action may be either reported by the beneficiary or generated by the computer system itself. Postentitlement transactions from beneficiaries may be received either in district or branch offices or in the PSC's. Report data are then transmitted via telecommunications to the central system in Baltimore.

The actual processing of postentitlement transactions is accomplished through a series of event-oriented operations known as object programs. There are more than 26 of these programs, each of which is designed to react to particular event information. For example, one program handles death terminations, another handles student terminations, etc. These programs vary considerably and have varying levels of complexity and sophistication but each performs the same general tasks and produces the same major outputs:

(1) Notices of unprocessable actions (sent to the reviewing offices for further action).

(2) Beneficiary notices.

(3) Folder documentation.

(4) Notification to Treasury of any special one-time payment or stop payments that may be needed; and

(5) Post-entitlement update tapes which house relevant payment data pending actual update of the master beneficiary record (MBR). (The MBR, because of size considerations, runs on a segment-by-segment basis throughout the month, with updates made according to a schedule.)

In addition to the annual cost-of-living increases, more than 30 million post-entitlement transactions are received and processed annually by the post-entitlement system. Of these 6 million must be processed manually. This manual fall-out is the greatest problem faced in the post-entitlement area.

ITEM 2. BRIEFING PAPER FOR HEARING

Issues

Only half of the task of restoring public confidence in the social security program was accomplished last Spring when the Congress corrected the social security financing problem. Public confidence also hinges on the public perception of SSA's ability to manage the program and pay the right checks to the right people. Recent stories in the press have focused attention on social security payments to deceased beneficiaries, and various aspects of SSA's computer problems. Beneficiaries form their opinions about SSA and government efficiency in general from their own contacts with SSA, particularly with the local offices.

Beneficiary service is a critical element of future public support for the social security program. This hearing asks the question: what really is the quality of SSA's service to the public? Has the quality of public service deteriorated in recent years, if so, what can be done to improve it?

The hearing will review the quality of SSA's service to the public from the viewpoint of beneficiaries, and will explore the problems in SSA's field offices which contribute to public service problems. The issues to be addressed during the hearing are presented in this briefing material as follows:

Part I.—Beneficiary service: the quality of public service as reflected in: Payment error, processing delays, overpayment recovery, treasury recoveries, and congressional casework.

Part II.—Operations: The factors which cause error and delay and complicate field office operations: Computer problems, management, policy issues, and external events.

Beneficiary Service

INTRODUCTION

Beneficiaries generally feel they have little control over what happens to them in social security. Most beneficiaries find the requirements and procedures of the program unintelligible or confusing. Few beneficiaries could be expected, for example, to identify or dispute a payment error.

For many beneficiaries the contact with the Social Security Administration is relatively uneventful. The most difficult programs to be in are the DI and SSI programs—which account for only about 20 percent of SSA's caseload. DI eligibility is based on a medical finding which may often seem to the claimant to be arbitrary and capricious, which can be appealed through a lengthy appeals process, and which is subject to SSA review every 3 years. SSI eligibility is based on a means test and must be redetermined on a regular basis. By comparison, RSI, which accounts for about 80 percent of SSA's caseload, is a fairly simple program. Eligibility is based largely on objective factors—age and sufficient covered employment and generally remains unchanged once a beneficiary becomes entitled.

PAYMENT ERROR

While RSI is the simplest program SSA has to administer, a surprising number of RSI beneficiaries receive erroneous social security payments during their retirement due to administrative error.

Frequency of Payment Error

SSA payment accuracy statistics

SSA generally contends that error rates in RSI are low, and that most payment error is caused by the failure of beneficiaries to accurately and timely report post-entitlement events—such as marriage, death, or earnings. SSA payment error rates are based on erroneous benefit payments detected in a sample review of case folders in a given month. In the most recent sample month, October 1981, SSA found that less than 1 percent of the RSI cases contained an administratively-caused overpayment and 8.4 percent of the cases contained an administratively-cuased underpayment. Fewer than 1 percent of program dollars were paid in error in that month.

GAO study for the Aging Committee

However, when SSA reviewed the case folders of a sample group of beneficiaries over a 5-year period for a GAO study, they found a very different picture. Nearly 19 percent of the beneficiaries—one beneficiary in five—had an administratively-caused payment error at some time during the five-year period. In 60 percent of these cases the payment errors had not been corrected. While many of the payment errors were relatively small, a third of the cases with errors had payment errors in excess of $500, and the average duration of a payment error was 4 to 5 months. It should be no consolation to beneficiaries that SSA underpaid these beneficiaries nearly three times as much as they overpaid them.

Causes of Payment Error

Manual computation is considerably more error prone than automatic computation. While only a fourth of the total claims are processed through MADCAP, the manual computation system, over half of the total dollars in error occur in these claims. This is because the claims routed through MADCAP are the most complex computations—the ones which can not be computerized—involving the greatest amount of clerical work and are therefore the most subject to human error. Post-entitlement actions are also somewhat more error prone than initial claims.

SSA quality assurance data, from reviews conducted during case processing from October 1982 through March 1983, indicate that 11 percent of the manually-processed RSI post-entitlement actions contained administratively-caused payment errors, compared to only 3 percent of the automated post-entitlement actions. At the same time, 8.6 percent of the manually-processed RSI claims contained administratively-caused payment errors, compared to only 3.4 percent of the automated claims.

Most of the payment errors identified in the SSA quality assurance study were the result of human mistakes. The major factors leading to SSA-caused payments errors were computation deficiencies, and incorrect use of wages.

The majority of underpayments occuring because of computation deficiencies were the result of the failure to process the automatic earnings reappraisal operation (AERO) on time or at all. AERO is designed to be processed once a year to increase

benefits for covered earnings after entitlement. The substantial lag which has existed for several years in posting earnings to individual earnings records has caused benefit recomputation to lag by as much as 5 years. In the October 1981 payment accuracy sample, 69 percent of the deficient underpayment cases were the result of delays in processing AERO. However, in the last two years, SSA has made a concerted effort to bring posted earnings up to date.

Incorrect computations, other than AERO recomputations, were also significant causes of payment error. 12.3 percent of the underpayment cases and 11.8 percent of the overpayment cases in the October 1981 sample were the result of incorrect calculations or incorrect coding or data transfer to computer systems. More than a third of the post-entitlement dollars in error were attributable to incorrect processing by technical personnel. In addition, nearly one-fifth of the claims dollars in error were attributable to incorrect manual encoding of data for the computer.

Incorrect use of wages accounted for about 8 percent of the deficiencies with respect to overpayments and about 12 percent of the deficiencies with respect to underpayments. A substantial portion of the payment errors were attributable to the incorrect use of military wages credits. Incorrect use of wages also occurs to a certain extent in initial claims processing—usually when the PIA is being established. About 10 percent of the case error is attributable to incorrect use of wages in this context.

In addition to computation error and incorrect use of wages, overpayments were also caused by the use of an incorrect month of entitlement. Underpayments also resulted from the incorrect use of earnings from self-employment.

Overall, computer processing, including incorrect data entry, accounted for less than 10 percent of the administratively caused error. Computer error figured the most prominently in post-entitlement actions—9 percent of the post-entitlement action cases with errors, had errors resulting from system processing. Little of the error in new claims—only 2.3 percent of all cases in error—was attributable to computer processing.

208 Case GAO Study—Final Results

What did we learn from this 208 [1] case study?

Numbers

In most respects the results of the second part of the study did not change the picture presented by the first part of the study. For example:

	First 100	All 208
Average number payment months	55.5	55.5
Average amount of payment	$21,662	$21,541
Amount of error as a percent of all payments	0.55	0.48
Number of months in error as percentage of all payments months	8.9	7.6
Percentage of cases with any payment error over the 5-year period	17.0	18.8

The rate of correction in the second group of cases was lower than in the first.

Amount of error correct percent of all payment	(0.43)	(0.23)
Amount of errors not correrected percent of all payments	(0.12)	(0.25)

Although the distribution of over and underpayments did not change much, the relatively high correction rate for underpayments did not hold up.

The amount of administrative error, if projected to the universe of payments from the sample would be much larger than the amount reported from the payment system studies. In the payment study, a specific month is looked at and if a payment was correct in that month there is no error. On the other hand, in this 208 case study and in the regular process study we identify all payment errors whether

[1] It became 208 cases (rather than 200) because dual entitlement cases were under represented in the initial 100 New York cases reviewed and 8 dual entitlement cases were added.

or not they have been or will be corrected. We then break them out and report on whether they were corrected or not.

PROCESSING DELAYS

Delays in processing claims and post-entitlement actions occur for a number of reasons. Three general areas in which delays are notable are: backlogs at the PSCs in processing postentitlement actions, delays in posting earnings and in recomputing benefits based on the recent earnings, and delays in processing disability (DI) appeals.

PSC Backlogs

Post-entitlement action sent to the program service centers which cannot be modified and entered computer system must be totally manually processed. In these cases, the claims folders must be obtained and the exception output and the folders must be sent to highly skilled technicians for processing through the manual adjustment credit and award processes (MADCAP). MADCAP is the primary manual processing route for title II transactions and is an extremely complex and labor intensive operation. In addition, all of the PSC's have significantly high backlogs due to the fall-out from automated processes and these cases are subject to delays because of action backlogging, the need for multiple actions to be taken, and the sheer complexity of the action.

Actions which are rejected for complete manual processing can take from 4 to 6 weeks or even longer to resolve. In addition, once actions are successfully processed, either by the object program or by the manual process, additional exceptions can occur when the results of these transactions are applied and updated to the master record. Thus, what appears to be a successfully applied transaction can actually result in a subsequent exception (less than 1 percent of the actions result in such exceptions).

Throughout most of this process, the field has limited knowledge of what is happening to their input. In some cases, they may be unaware that a PSC exception has occurred; in others, they may be unaware of the status of the PSC reconciliation activities. This obviously inhibits their ability to take appropriate followup action or to respond adequately to beneficiary inquiries.

Unposted Earnings

During the past few years reports from GAO, the Inspector General of Health and Human Services (HHS) and elsewhere have criticized the Social Security Administration (SSA) for having huge backlogs of earnings reports which have not been posted to individual earnings records. Unposted earnings result in insufficient information in an individual's earnings record to establish eligibility for benefits and/or to determine the actual amount of benefits the individual should receive. When the problem became highly publicized in late 1981, it was reported that possibly $69 billion in individual earnings had not been posted to earnings records. The problem was primarily with earnings for 1978 and later. In 1978 SSA and the Department of Treasury initiated a new legislatively mandated procedure of requiring annual instead of quarterly earnings report from employers. SSA took on the major responsibility, previously held by Treasury, of putting the raw earnings reports into machine-usable formats for both SSA and Treasury purposes. SSA had enormous startup problems with this new function and as a result most of the earnings reported for the period 1978 to 1980 were not posted to the earnings records of persons covered by or receiving benefits from the system. Complaints then emerged that many individuals were receiving benefits substantially lower than they were entitled to, possibly involving 3.5 million or more beneficiaries. A person's benefits are recomputed each year to take account of earnings he or she had after first filing for benefits. In 1981, SSA made a concerted effort to work off this backlog of unposted earnings reports, and to correct the monthly benefit amounts of the affected individuals and to provide lump sum checks were reported to be as much as $8,000. In April of this year, John Svahn, the former Commissioner of SSA, said that the benefit recalculations resulting from the unposted earnings for the 1980 and earlier years had been completed, that the recalculations for 1981 would begin shortly and that those for 1982 would be completed by the end of this year. The agency has given no further status report on their progress in eliminating this problem.

Hearings Backlog

The enormous number of continuing disability reviews conducted by SSA over the past two and a half years has greatly exacerbated the backlog of appeals pending before the agency's administrative law judges (ALJ's). Some cases may be sitting for

as much as a year before they are heard, at which time the ALJ may overturn the initial rejection or termination. The ALJs have been sustaining entitlement to benefits in 50 to 60 percent of the cases they hear. In the fiscal year 1975 to 1980 period the hearings backlog fluctuated (up and down) in the range of 75,000 to 109,000 cases. However, this backlog shot up greatly in the past couple of years as a result of the large number of terminations made by the disability State agencies. By the end of 1983, it had grown to 173,000 cases—the largest in the history of the program. In 1978 there were 128 cases pending for every ALJ on the staff. By 1983 that figure had grown to 228 cases. This growing backlog is taking a very serious toll not only on the individuals subjected to the uncertainties of the appeals process, but on the ALJs and support staff who administer it.

OVERPAYMENT RECOVERIES

The process of recovering money paid to beneficiaries in error can be a particularly confusing and frustrating experience for Social Security beneficiaries. First, there is little explanation given to beneficiaries of the what the overpayment is and why it occurred—beneficiaries are usually only notified of the amount. Second, beneficiaries are often caught by surprise by the overpayment notice—they unlikely to be aware that they have been receiving erroneous payments, especially if if is the result of SSA error. Third, a beneficiary who does not believe the overpayment is correct has to initiate a lengthy reconsideration and appeal process to resolve the matter.

Since 1981, SSA has taken a more aggressive approach in collecting overpayments. This effort has included the use of more forceful overpayment notices to beneficiaries, a policy of immediate recovery either by repayment or by withholding future payments owed the beneficiary, training SSA field office personnel in debt collection skills, and special efforts to collect old outstanding overpayments—some nearly a decade old. This initiative affected the quality of beneficiary service in a number of ways: first, it placed SSA in the position of threatening and intimidating many beneficiaries who rely on SSA for their livelihood; second, it diverted already overtaxed field office resources from the job of getting the checks out promptly and correctly (preventing overpayments) to the job of recovering payments errors. John Harris, President of the National Council of Field Operations Locals, reviewed the effect of the debt collection initiative on beneficiaries in testimony before the House Aging Committee in August 1982:

> The entire focus of this new initiative—which formally commenced in January and February, 1982—is on quick cash recovery . . . To go with this new attitude, SSA made radical changes in their overpayments procedures. They redesigned their initial overpayment letter. The letter demands immediate and full refund and threatens to withhold people's entire benefit check, if payment is not made wihin 30 days . . . Because the object is to "collect more money" (to quote the Commissioner), we have also gone back to people who are already paying back overpayments to demand more money . . . In addition to training designed to discourage the waiver of overpayments and instructional changes designed to emphasize cash recovery, SSA has also adopted administrative vetoes of grants of waivers to SSI recipients. While formerly a decision to grant a waiver was based on a direct interview with the client, SSA has now authorized its management to overturn those decisions without any investigation . . .
>
> I want to specially note the new policy of taking away a person's full benefit check to recover an overpayment . . . For those on SSI this policy is especially horrid, because these are people who are already in poverty and whose benefits often are not sufficient for the barest subsistence. Moreover, if a person's SSI check is withheld and he receives support from others to tide him over, that support will count as a new overpayment. A vicious cycle of overpayment and benefit cuts starts from which there is no real escape, except perhaps local welfare and that is increasingly unavailable.
>
> In actual practice workers are reluctant to withhold people's benefits, in spite of—even in defiance of—the Commissioner's policies . . . But workers complain bitterly about the policy and believe it is inhumane to send such notices to aged, infirm, and impoverished people. Its only value and it real intent is to terrify them. It does.

As long as overpayments continue to occur in Social Security, SSA has no choice but to continue recouping them. However, the methods they elect to use for notifying beneficiaries and recovering the debt will have a significant effect on the attitudes of the public about the Social Security program and the government.

Background

Overpayments are either excess payments to eligible individuals or payments made in error to individuals who are not eligible for benefits. These excess payments can occur because the beneficiary fails to inform SSA of changes in his status or of other factors which would effect his monthly benefit amount. However, excess payments can also result from mistakes made by SSA or from program features which regularly create payment error. Whether it results from a beneficiary-caused error or an administratively-caused error, the overpayment is considered not to belong to the individual, and SSA is directed by statute to recover the amount of the overpayment.

Statutory Authority

Sections 204(a) and 1631(b) of the Social Security Act direct the Secretary of HHS to recover overpayments through adjustment of benefits or other means. However, sections 204(b) and 1631 expressly limit the authority to recover the overpayment if the individual is without fault and recovery would "defeat the purposes of the act" or "be against equity and good conscience".

The legislative history of Section 204(b) indicates that Congress enacted the waiver provision to mollify the often harsh effects of overpayment actions on recipients. The first waiver provision appeared in the 1939 amendments to the Social Security Act. During House hearings on the amendments, it was recognized that "there have been many occasions . . . where through some mistake, they (recipients) had been overpaid, and the people had since spent the money, and were perfectly innocent of any wrongdoing." Thus, provision was made ". . . for making more equitable the recovery by the Federal Government of incorrect payments to individuals".

The 1965 amendments to the Social Security Act broadened the Secretary's authority to recover overpayments by requiring the overpaid person or his estate to make a refund, or by decreasing social security benefits payable to the overpaid person or to any other person on the same earnings record. Under the prior law, recovery from persons other than the overpaid person could be made only in cases where the overpaid person had died.

At the same time, however, the Secretary's authority to grant waiver of adjustment or recovery of overpayments was expanded. The Committee on Finance report states:

> The new subsection (b) of section 204 of the Act broadens the Secretary's authority to waive adjustment or recovery of overpayments. Under present law, a condition for waiving adjustment or recovery of an overpayment is that the overpaid person be without fault; waiver is not authorized if the overpaid person is at fault even though the person from whom adjustment or recovery is sought is without fault. The new subsection (b) authorizes the Secretary to waive adjustment or recovery of an overpayment from any person who is without fault, even where he is not the overpaid person and the latter is at fault.

Rules and Procedures

SSA has established rules and policy (20 CFR 416.535-.570 and POMS 02220 and 02260) which detail the overpayment recovery process and define certain due process and appeal rights for the individual. Under agency rules and policy, when SSA believes a beneficiary has been overpaid, they send a notice to the overpaid individual, or any other individual against whom recovery is to be initiated, stating the amount of the overpayment and describing the steps SSA plans to take to recover it. The beneficiary is informed that they may challenge or appeal the determination of the overpayment and that they may ask for a waiver of recovery:

> *Reconsideration.*—If an individual requests a reconsideration within 30 days recovery action is halted pending a decision. The district office will obtain the folder and check the accuracy of the overpayment finding. If a decision affirms the overpayment finding, the individual may request a hearing, but the agency may initiate recovery while the hearing is pending.
>
> *Waiver.*—An individual may request a waiver of recovery at any time, but a waiver may only be granted if the individual is without fault in causing the overpayment and recovery would cause a hardship or be inequitable, or if the overpayment amount is too small to be worth recovering. "Without fault" is defined by regulation to mean that the recipient neither knew nor should have known that the overpayment or the information on which it was based was incorrect. To "defeat the purpose of the subchapter" is defined as to "deprive a person of income required for ordinary and necessary living expenese." Those expenses are defined to include, among other things, food, rent and medical

bills. Recoupment is against "equity and good conscience" when the recipient "because of a notice that such payment would be made or by reason of the incorrect payment, relinquished a valuable right . . . or changed his position for the worse." Currently waivers may be granted by claims representatives if the overpayment amounts to less than $5,000. Waivers of overpayments in excess of $5,000 require the approval of a supervisor or the PSC.

Recovery from beneficiaries.—If an individual does not respond within 30 days, or if the individual fails to overturn the decision or is denied a waiver, the agency will begin recovering the overpayment. Currently recovery is accomplished by full refund or by withholding the individual's entire monthly benefit for as many months as it takes to recoup the overpayment. However, individuals may request that SSA withhold less than their entire benefit for a longer period of time.

Recovery from others.—If an individual is no longer receiving benefits from the program in which the overpayment occurred (e.g. SSI) but is receiving benefits from another program (e.g. RSI), SSA may request the individual authorize recovery from the other program. (Temporary restraining orders barring SSA from cross-program recoveries have been issued by district courts in New York and Massachusetts). SSA seeks full payment or installment payments from individuals who are no longer in payment status. Overdue repayments may be referred to GAO for collection or litigation.

Court Rulings

In *Califano* v. *Yamasaki*, the United States Supreme Court held that under Section 204(b) of the Act, where a request for waiver has been made, an oral hearing is required before the government may recoup an overpayment. The court noted that Section 204 is mandatory in form and indicates that in this particular statute, Congress did not intend to exalt recovery over waiver.

Thus, under the current law and regulations, where an overpayment determination is made, the recipient is entitled to notice of his waiver rights; and when he requests waiver, an opportunity for a pre-recoupment oral hearing is required.

Problems with Overpayment Recovery

The Freeland and Rusnak cases, to be presented at the hearing, illustrate difficulties SSA has in managing and recording recovery actions. In both cases, the new emphasis SSA has placed on collecting old debts has caused them to pursue overpayments which had been previously waived or collected. Weaknesses in Social Security's computer system make the tracking of debt collection difficult without reference to paper files. The activities of SSA in the SSI Backlogged Debt Project provides an example of problems in SSA recovery efforts.

SSI Backlogged Debt Project

The SSI program was established in 1974, requiring a wholesale transfer of State old age, blind, and disability assistance caseloads to the SSI computer system. This computer transfer process, along with the redetermination of eligibility for these recipients, created a chaotic situation in SSA during the first two years of the SSI program. By the end of 1976, SSA records indicated that nearly a fourth of the SSI caseload was receiving incorrect benefits, with a total of nearly $1 billion in identified overpayments. Only $100 million in overpayments had been collected with little expectation that much of the remaining amount would ever be recovered. A Senate Finance Committee report on SSI, printed in April 1977, reviewed the causes of these overpayments:

> Many of those overpaid had in fact received inadequate explanation of their reporting responsibilities. In other cases the overpayments resulted from system malfunctions as, for example, where the interaction between the social security benefit record and the SSI benefit record generated an incorrect payment, even though the beneficiary had not provided any incorrect information. Even where beneficiaries were partially or totally at fault, many district employees felt that the bulk of the overpayments would prove uncollectible.

Because many of the overpayments during this period resulted from errors in State records or SSA computer problems, SSA adopted a policy of administratively waiving all overpayments less than $45 and most of the overpayments amount to less than $450. This was done by adopting a special "without fault" presumption applicable to payments of $45 to $450 when the period overpayment began in 1974. Many of these overpayments were waived on the basis of information in the file without contacting the beneficiary. The result was that many SSI beneficiaries with overpayments dating from 1974 were either unaware of the overpayments or unaware that they had been waived by SSA.

In February 1982, SSA began to release backlogged SSI debt cases to the field offices for collection. This release involved cases which SSA determined had a highpotential for collection: the overpayment amount was in excess of $50 and the debtor was currently receiving SSI or RSDI benefits. 385,000 backlogged debt cases were targeted for resolution before the end of fiscal year 1983 at a projected savings of almost $200 million. In the case of "deferred overpayments" on which their was no record of a prior overpayment collection activity, SSA pursued all overpayments in excess of $100.

SSI recipient computer records apparently do not usually contain information on previous waivers or suspensions. If administrative waivers had been granted in the 1970s on a case, this information would be recorded in the paper file maintained at the PSC. To establish that an SSI beneficiary listed as having an old overpayment had not had the overpayment waived or suspended it would be necessary to request the paper folder form the PSC. It is likely that a large number of the overpayment notices sent from the district offices on the basis of computer generated lists went to beneficiaries who were either unaware of the overpayment or had had it administratively waived years before. John Harris, President of the National Council of SSA Locals, described the SSI backlogged debt program in testimony before the House Aging Committee in August 1982:

> Some of these were overpayments whose recovery had been waived; some were determined uncollectable; all of them had been extensively developed but our computer records did not show their final disposition. The Commissioner has had us renew collections on cases that are over seven years old and which we have at least twice before developed; when doing it we do not review our prior records; often we have no idea of the cause of the overpayments; our notices do not even attempt to identify a cause. And yet on the basis of such overpayments, people's benefits are being terminated.

The Rusnak case may be typical of many of these backlogged debt cases. Mr. Rusnak's SSI overpayment had been waived in 1975, but the waiver was apparently not recorded in the SSI computer system. Overpayment recovery efforts were initiated three times thereafter—once in 1980, again in 1982, and most recently in 1983. When the beneficiary's daughter contacted her congressman in 1980, the paper file was consulted and the beneficiary was notified that the overpayment had been waived. Because this information was not subsequently recorded on the computer file, the beneficiary was twice again contacted.

In the Freeland case, the beneficiary had entered into a compromise agreement with the General Accounting Office in full settlement of an overpayment action. SSA, however, was without knowledge of the settlement and re-activated the overpayment action many years later. These two cases illustrate SSA's inability to properly record the resolution of overpayment actions. The result is that beneficiaries believing they have resolved overpayments, frequently not their fault to begin with, are needlessly bothered. This kind of harassment is confusing, frightening, or simply irritating to the beneficiary. In Mr. Freeland's case he did not connect the new notice with the original overpayment action and its resolution, and he allowed SSA top withhold the entire amount of his social security checks despite that fact that he had resolved the overpayment.

TREASURY RECOVERIES

Serious problems have arisen in connection with the process known as Tresaury recoupments or recoveries. In cases where beneficiaries die who have had their Social Security checks directly deposited in their bank accounts, Treasury recovers payments for the month of death or thereafter directly from the bank (and thus from the beneficiary's account) without advising the beneficiary of the action. In cases where Social Security has incorrectly recorded death information, incorrect recoveries had been made with no advance notice to the beneficiary or surviving relatives. Two cases to be presented at the hearing illustrate the kinds of problems that can occur:

Badgero Case

While Mr. Badgero and his wife were traveling in the Southwest, SSA mistakenly determined that Mr. Badgero had died as of November 1982. Nowithstanding this erroneous declaration of death, SSA continued to pay him benefits for the months of December and January. Mr. Badgero returned home to find that his bank had debited from his account, and had remitted to the Treasury Department, $1,392.00 (representing his December and January benefits). Mr. Badgero had received no notice of this Treasury recoupment action, other than a notation of an unspecified withdrawal on his monthly bank statement. However, the fact that his Social Security

checks had been stopped caused him to contact SSA and the amounts withdrawn by the Treasury were eventually returned to him.

Williams Case

In this case, SSA erroneously entered Mr. Joseph Williams' date of death as February, 1982, rather than March, 1982. SSA then determined that they had overpaid Mr. Williams and debited from the joint account that he shared with his wife, the amount of his February check. Mrs. Williams, his widow, and a victim of Alzheimer's Disease, was notified by the bank that the money had been debited and remitted to Treasury, after the fact. Neither she nor her family was able to protest this action and to claim entitlement to the February benefit check until after it had been taken from her account.

Basis for Recovery

SSA perspective: Social Security argues that payments to a deceased beneficiary are not "overpayments" (which would thereby give rise to the notice and waiver provisions of Section 204 of the Act), but that such payment is an "erroneous" payment. They argue that since the beneficiary is deceased, there is no one to give notice to. Further, SSA's method of recovery in cases of deceased beneficiaries differs from that of recovery from a living beneficiary. In the case of a living beneficiary, recovery is accomplished by the adjustment or withholding of future benefits. Where a beneficiary has died (or is legally incapacitated), and an erroneous payment has been made, the incorrect payments are subject to reclamation by the Treasury Department.

Treasury action: When Treasury becomes aware, following notification from SSA, that a bank wrongfully failed to return "credit" payments after the death of a recipient, it is required to send a written notice to the bank with the name of the recipient and any beneficiary, the depositor account number, type of account, type of recurring payment, and date of death and a list of credit payments which have not been returned. On receipt of this notice, the financial organization (bank) is to return to the Treasury the amount remaining in the recipients account up to the total amount of credit payments listed in the notice. When a bank fails to do so, it is accountable to the government for the total amount of the payments.

If a bank fails to comply with the collection procedures, Treasury will instruct the appropriate Federal Reserve Bank to debit the amount from the bank's Federal Reserve account.

Direct Deposit

Many social security and SSI beneficiaries elect to have their benefits deposited directly into their bank accounts—by electronic fund transfer (EFT). Use of EFT is perceived as a convenience for recipients. However, it also benefits the Government by reducing the problems with lost and/or stolen checks. Banks also profit from the float that occurs with a longer deposit period and from the reduced workload for tellers. However, this arrangement can result in cases as illustrated above, in which SSA, Treasury and participating banks erroneously recoup alleged overpayments from EFT accounts without affording the account holder a chance to contest the overpayment or to seek a waiver.

Notification of Recovery Action

Neither the Social Security Administration nor the Treasury Department gave prior notice to the beneficiary of an intended recoupment action. The beneficiary normally first becomes aware of the recoupment action when it shows up in his bank statement or after notification by the bank. Because the bank has only 15 days to remit the amount to the Treasury, any notice provided by the bank usually occurs after the recoupment action.

SSA does not provide notice because they regard these payments as "erroneous" payments rather than "overpayments" and not subject to the notice or waiver provisions. Treasury contends that their recovery action is against the bank and not against the account holder, and therefore do not warrant notification of the account holder. However, Treasury regulations specifically instruct the bank to go after the recipient's account. Banks often feel caught in the middle. Generally they prefer direct deposit agreements and yet they are sympathetic to the concern of their depositors that a recoupment can be made without the depositor's prior knowledge. In several instances, banks have been aware that the individual is not dead or that the date of death is wrong, but have been unable to protest a Treasury claim.

Court Rulings

Treasury recoveries have recently been challenged in the courts. In *Thomas* v. *Secretary of Health and Human Services* a husband and wife opened a joint EFT account into which their Social Security and SSI benefits were deposited. When the husband died, the widow notified SSA of his death, closed the joint account and opened a new account in her own name. SSA, however, continued to mail payments for both spouses to the closed joint account, which were then transferred to the new account. Treasury recouped the overpaid checks from the bank and the bank debited the new account in an attempt to recover the overpayment.

In *Thomas*, the District Court held that overpayments credited by EFT to a joint bank account constituted an "overpayment" within the meaning of the Act and regulations and that the statutory due process protections therefore applied.

In a second case, *Dockstader* v. *Miller*, the Tenth Circuit Court of Appeals, faced with the same issues, reached the opposite conclusion. The court held that the widow of the deceased beneficiary is not entitled to the waiver provisions of the Act because while she was not at fault, the payments were not "overpayments" but rather "erroneous" payments. The court also stated that the widow's constitutional rights had not been violated by the Treasury Department because its instructions require banks to debit the accounts of "recipients". As the widow was not a "recipient" of the funds, there was no federal involvement giving rise to a constitutional violation when the bank incorrectly debited her account. The plaintiffs in *Dockstader* are filing a petition for rehearing with the Tenth Circuit.

The *Thomas* court's opinion is consistent with the decision in *Beauchesne* v. *Nimmo*. This case raised the same issues in the context of Veteran's benefits. As a result of the *Beauchesne* decision, the VA in Connecticut is required to give notice to beneficiaries and to certify to Treasury that such notice has been given.

Conclusion

If social security beneficiaries paid by check, and their survivors, are entitled to notice of recovery actions, an opportunity to request waiver and the right to appeal decisions, it is difficult to justify the denial of these same procedural protections to those social security beneficiaries or the survivors of beneficiaries who elect to have their benefits deposited directly into EFT accounts. The case for advance notice of a recoupment action and the opportunity to request reconsideration or waiver is even more compelling where, as in our cases, the overpayments occurred solely as a result of an error on the part of the SSA. The fact that the federal government promotes and encourages the use of EFTs also lends support to this argument.

CONGRESSIONAL CASEWORKER VIEWS

Congressional caseworkers often perform the role of ombudsmen in mediating conflicts between individual citizens and federal agencies. By virtue of this role, caseworkers are constantly engaged in the day-to-day workings of the social security system, and are in a particularly good position to report upon the quality of beneficiary service in SSA. To take advantage of this unique resource, the Special Committee on Aging conducted a survey of social security caseworkers in the offices of all the Members of the Committee.

The survey was designed to measure the volume of congressional casework devoted to social security, and the nature of the problems most frequently encountered. The survey method involved a questionnaire sent to caseworkers soliciting information on a typcial month's social security casework. In addition, Aging committee staff spoke informally with many caseworkers to ascertain their personal impressions of SSA. Neither the questionnaire nor the personal interviews were intended to conform to scientific standards in survey research, and the results are only to be interpreted as rough estimates.

The results of the survey are highlighted by the following:

—29 percent of all office casework involves problems in social security.

—71 percent of social security casework is devoted to DI and SSI Disability complaints.

—7 percent of the cases in social security are related to RSI and SSI overpayment notices and debt collection activity.

—6 percent of social security complaints involve a late or missing check.

—Many caseworkers reported that Social Security claims representatives frequently refer claimants to their Congressmen when district personnel cannot obtain information from program service centers.

These findings parallel the results of a similar study of congressional caseworkers conducted in 1978 by the House Ways and Means Subcommittee on Social Security.

Specifically, in both surveys it was found that social security casework typically composes one-fourth to one-half of the total caseload. Also, both studies concur on the observation that more than half of all social security cases are related to disability problems.

Caseworkers responded that one-third of all social security cases involve complaints about SSA service. Rudeness or discourtesy by SSA staff, delays in making a promised change or correction, and the inability of citizens to contact appropriate personnel were most prominent. In terms of the volume of social security casework, 44 percent reported that volume is increasing, 38 percent that it is remaining stable, and 18 percent that it is decreasing.

Finally, most caseworkers believe that on balance, the RSI and SSI programs are administered smoothly. However, many cited the Continuing Disability Investigations (CDI) as responsible for increases in caseload in the last two years. Some claimed that due to CDI difficulties, SSA has become less efficient in responding to congressional inquiries, and that the process of resolving a constituent complaint takes longer than in the past.

Operations

INTRODUCTION

The role of the Social Security district offices has changed dramatically in the past two decades. Until the early 1960s, the primary job of the district office was public contact, accepting information from claimants and beneficiaries and providing information about Social Security prorams to the public. Claims information was sent to other components of the Social Security Administration in the same form in which it was recorded. Manual benefit computation and data entry were handled at the Program Service Centers or the central data processing office. Since then most of the responsibility for data input, and the authority to take final action on a large percentage of claims has been shifted to the district office.

Shifting a considerable portion of SSA's decision making and data input to the "front-end" of the process has helped improve the quality of service and reduce costs by reducing procesing time and automating a considerable portion of the workload. However, the increasing demand for automated data processing has placed the computer systems increasingly under stress; and the technology employed by the data processing system has failed to keep pace with the requirements for adequate support of field operations. The failures of the Social Security computer system have become a major source of frustration for the agency and the focus of a Systems Modernization Plan (SMP) adopted in 1981 by then-Commissioner Svahn to begin the process of updating and improving automated data processing.

Automation and the frustrations accompanying the automation process are only once set of factors affecting the quality of work in the district offices. At the same time as the district offices have become more automated, they have also become burdened with the increasing complexity of the programs they administer, and with newly assumed responsibilities unrelated to the basic mission of Social Security.

The changes which have occured since the early 1960s have made the district offices more pressured and chaotic places to work. Increasing workloads and staff cutbacks at the district offices, and backlogs at the Program Service Centers have not helped improve either the productivity or performance of the district offices. In the end, it is the district office staff who must bear the wrath of angry Social Security beneficiaries and who must take time to help confused and distressed SSI recipients. Once this contact with the public was the major function of the district office. Increasingly it is becoming an interruption in the overwhelming crush of claims processing and post-entitlement paperwork.

This section will review problems with the computer system, management and policy initiatives of the agency, program requirements, and court decrees regarding entitlement and due process rights which are complicating the day-to-day operation of the field offices.

COMPUTER PROBLEMS

General Systems Crisis

In February 1982, SSA issued a five-year Systems Modernization Plan (SMP) for improving their computer operations. In the first section of the plan, SSA provided a vivid description of the "systems crisis" which faced the agency at that time. Although SSA is now in the second year of implementing the SMP, many of the observations in the 1982 plan still hold. The following is quoted from the SMP document:

The computer operations of the Social Security Administration ha(ve) suffered a continuous degradation for almost a decade . . . the agency's ADP operations have now reached the point where a serious crisis exists. This crisis is apparent in all aspects of SSA's ADP environment, including the software and operating systems, the computer equipment, the communications systems and the personnel who work on it.

. . . Being dependent on a computer system that cannot do very much, and what it does do, it does badly, has caused the agency to abandon its confidence and reliance on automation to meet its statutory responsibilities to the public. Instead, the agency sustains its operations with very costly manual processes and defers action on many critical projects that would not only benefit the public, but would also result in savings and cost avoidance of billions in administrative expenditures.

. . . SSA currently maintains some 240 million records, each one a person alive or dead who retains an active social security account number (SSN). These records reside on antiquated ADP storage equipment and in many paper and microfilm files. SSA pays monthly benefits to over 36 million people. Fortunately, these payments remain the single ADP function that has not faltered. Each year SSA issues approximately 10 million new social security cards. The quality of service SSA provides to the public in the issuance of these cards is described, at best, as poor. It takes from 4 to 6 weeks from the time of application to receipt of a social security card by the applicant. There have been numerous complaints that this delay causes many individuals to lose a month or more of wages, or worse yet, be denied employment.

The posting of 380 million wage items reported by employers to update individuals' earnings record maintained by SSA is an annual requirement. . . . The current lack of adequate automated support for this function has resulted in SSA being 3 years behind in the posting of retirement contributions. This requires field offices to incur additional workloads in attempting to update manually, critical information that affects the amount of benefits.

SSA receives and processes 7.5 million new claim applications each year and will pay program benefits to more than 50 million beneficiaries this fiscal year. Due to computer processing backlogs and faulty computer programs, many of the new applications are not processed timely, causing applicants to visit local offices repeatedly. Further, benefit payments are sometimes computed erroneously, duplicate payments are issued and data items are posted incorrectly. Even worse, it takes years before SSA discovers that a beneficiary may have died, moved, or undergone other changes that would require a recomputation of a benefit check.

To maintain the beneficiary rolls in a current status, more than 19 million post-adjudicative transactions require processing annually to effectuate cases following appeals and reconsiderations. Some 2.5 million benefit recomputations should be performed annually. However, due to systems problems and computer processing backlogs, recomputations dating back to 1978 still remain undone, necessitating further manual work for the field staff. This causes both underpayments and overpayments, thereby adversely affecting many beneficiaries and creating more work for the overloaded system.

. . . Just to implement the normal cost-of-living increases this year required 20,000 hours of computer processing, day and night, over a period of four months. A system using today's technology should be capable of performing this task in a matter of a few days.

Equally disconcerting is the inability to automate labor-intensive functions being performed manually which could be accomplished by computers at a fraction of the costs. . . .

Software

Twenty years of crisis, a day at a time, has led to serious system development and software deficiencies which cause substantial erroneous benefit payments to be made. . . .

The systems at SSA result from decades of different programming techniques. In effect, what exists today is software that is largely a product of unplanned patchwork, with no regard given to its deteriorating condition nor to the efficiencies available from technical advancements.

SSA processes very large and extermely complex files which are ail maintained on unrealiable magnetic tapes. The files interact with the hundreds of poorly written computer programs. These programs must pass all all the records of a file sequentially to find one individual on the Master Beneficiary

Record (MBR) for title II recipients, which has over 35 million active records . . .

There are 76 software systems that make up SSA's basic computing operations. These 76 software systems consists of 1,376 computer programs. For these 76 software systems the number of lines of COBOL computer instructions is in excess of 12 million. This combination of large files and outdated software interacting causes program runs to fail frequently or produce erroneous results.

At SSA, knowiedge of a large number of computer programs is confined to a few people. Consequently, loss of these people impacts significantly when major changes are required. It is impossible to assign other personnel to these programs because of the lack of documentation. In effect, SSA's undocumented, patchwork software is not only inefficient to operate and maintain, but the cost of modification is huge, and then only creates more patches.

Hardware

. . . SSA's hardware configuration . . . is outdated, unrealiable, and inadequate . . .

The hardware not only lacks adequate capacity to meet current and projected workloads but also requires excessive manual labor to support today's operations. Over 30,000 production jobs are run each month which require more than 150,000 tapes to be manually handled. Approximately 30 percent of the tapes do not have labels that enable the computer to check if the proper tape is being used for the system of program being run. This makes for an error prone situation that results in an unacceptable level of job failures . . . SSA loses over 1,500 hours of computer time each quarter due to jobs that malfunction after they have run for more than an hour and a half. . . .

Management, Organization, Staffing

Compounding SSA's hardware, software and planning and control problems has been the loss of experienced programming and systems analysis personnel and the inability to recruit competent ADP personnel to replace them. . . . Over the past year, SSA lost 112 of its 569 experience programmers and only 21 have been replaced. The full impact of ADP staffing losses is more serious because the knowledge of patchwork software is lost due to the lack of documentation.

Systems Modernization Plan

The effort to upgrade computer support for field office operations actually predates the SMP. In 1981, SSA began purchasing replacement terminals and modems for the SSA Data Acquisition and Response System (SSADARS) telecommunications system which links field offices with the central computer in Baltimore. Purchase of the Paradyne terminals was a subject of much controversy at the time. These terminals can be converted in the future—at added cost—to "intelligent" terminals capable of being programmed for basic computation in the field office. The new terminals, installed over the last two years, replaced the old SSADARS terminals and Advanced Record System (ARS) teletypes. While the new terminals were expected to improve data communications between the field office and the central computer, initially the merger of the SSADARS and ARS systems increased SSADARS traffic, placing and added burden on SSA's already strained computer capacity.

Under the SMP a number of improvements are under way or planned to improve access through SSADARS to the central computers. These and other planned improvements should eventually increase the capacity of the central computer to handle the volume of traffic through the SSADARS network:

SSADARS communication lines are being upgraded to support a higher speed transmission.

The SSADARS concentrator, which assembles incoming transmissions and communicates with the main computer, is being revised to handle higher speed transmissions and to access disk storage;

Intermediate files (like the post-entitlement update file) and master files (like the Master Beneficiary Record) are being converted from cumbersome tape files which require manual tape mounting to disk files which can be more easily accessed and can be computer managed; and

Software for the CAPS and other benefit computation and payment programs are being documented, and cleaned up so that they can operate more efficiently.

While the completion of the SMP will improve the efficiency and accuracy of the data processing operation, optimistically it will take most of the rest of this decade to complete this work. In the meantime, SSA's computer system continues to be

overburdened, and a substantial portion of the claims and post-entitlement processing continues to be done manually.

Problems with Manual Processing

SSA quality assurance samples indicate that 17 percent of the claims processing and 19 percent of the post-entitlement actions are processed manually. Manual processing is a problem in SSA because it is both more error prone and more time consuming, and thus the source of a substantial number of beneficiary complaints about payment error and delays

Manual processing is substantially more error prone than automated processing, both because it is labor intensive and has more opportunities for human error, and because the computations handled manually are those too complex to be automated. As more of the processing is automated, manual processing error rates increase because the remaining manual processing is the most complex and error prone processing. Manual processing is also more time consuming and is the single largest source of delays and backlogs in processing claims and post-entitlement actions.

Manual processing results when transactions cannot be processed by SSA's automated systems. District offices attempt to introduce almost all events directly into the computer system over the SSADARS telecommunications network. When their input is received in the system, initial editing is performed to detect internal inconsistencies. If problems are detected, the transactions are returned to the district office where they can be corrected and reintroduced. SSA estimates that fewer than 2 percent of the exceptions occur in this way and most are reprocessed quickly.

Transmissions that are accepted by the system are again checked against identifying information on the Master Beneficiary Record (MBR). They are then passed to individual programs for processing, where the transaction is applied to the MBR. From 8 to 38 percent of exceptions can result from this processing, depending upon the sophistication of the program. Exceptions created by this process are sent to the Program Service Centers (PSCs) for manual action and reconciliation.

Exceptions referred to the PSCs for handling are screened to identify those that can be clerically resolved and reintroduced into the system. Most of these exceptions are processed within a week of the original exception. The rest of the exceptions require full manual processing. In these cases, claims folders must be sent to technicians for processing through the manual adjustment credit and award processes (MADCAP). MADCAP is the primary manual processing route for title II transactions and is extremely complex and labor intensive. SSA points out that:

> . . . all of our PSC's have significantly high backlogs due to the fall-out of our automated processes and these cases are subject to delays because of action backlogging, the need for multiple actions to be taken, and the sheer complexity of the action.
>
> Actions which are rejected for complete manual processing can take from 4–6 weeks or even longer to resolve. In addition, once actions are successfully processed, either by the object program or the manual process, additional exceptions can occur when the results of these transactions are applied and updated to the master record. Thus, what appears to be a successfully applied transaction can actually result in a subsequent exception.
>
> Throughout most of this process the field has limited knowledge of what is happening to their input. . . . This obviously inhibits their ability to take appropriate followup action or to respond adequately to beneficiary inquiries.

SSA has begun using programmable calculators in the PSCs and in some cases in the district offices to provide computational assistance in more complex benefit computations. Eventually, the new SSADARS terminals will be programmed to support "off-line" manual benefit computation.

In addition, the systems modernization project will expand and improve the automation of benefit computation and develop a transaction control capability to keep field offices informed of the status of a claim.

MANAGEMENT

Management decisions in SSA which contribute to problems in the operations of the field offices are particulary difficult to define. In general there are five areas in which management decisions or failures have affected field office operations: staffing cutbacks, distortions in work measurement, complexity of instructions, reorganization, and the acquisition of responsibilities unrelated to the operation of the Social Security program. In addition, managment has, on occasion launched policy initiatives which have in some cases had a significant effect on the operating environment of the district office.

Staffing Cutback and Hiring Freeze

Budget cuts in recent years have resulted in staffing cutbacks and hiring freezes in the district offices. Staffing in field offices was reduced by over 1,000 positions in fiscal year 1982 resulting in a slow down in disability claims processing, delays in approvals and payments, and underpayments due to failure to develop lag earnings. Overall, the number of fulltime permanent staff in SSA has declined from a high of 80,300 in fiscal year 1977 to a projected 75,800 in fiscal year 1984.

As the Social Security program has continued to grow, the SSA workload per staff member has increased significantly. In the RSI program, the number of beneficiaries per staff year has increased from 688 in fiscal year 1975 to 806 in 1983. In the DI program, where continuing disability reviews have required a substantial increase in work effort, staff years have increased by 20 percent since fiscal year 1979. At the same time, because of the greater intensity in the work, the number of beneficiaries per work year expended has declined from 24 beneficiaries in FY79 to 17 beneficiaries per staff year in FY83.

With the hiring freeze concerns have also been raised that the quality of claims representatives is deteriorating. Concerns have been expressed within SSA that clericals and data technicians have been promoted to retain them. With an emphasis on internal promotions, and freeze on new hiring, SSA is no longer hiring college-educated claims representatives as it used to. This not only affects the capacity of claims representatives to handle their increasingly complex job, but it also limits the pool of qualified staff within the agency to draw from for more demanding jobs in the PSCs.

SIZE OF WORKFORCE OF SOCIAL ADMINISTRATION, 1975–84

Fiscal year	Full-time permanent		
	Staff on duty, end of year [1]	Temporary and part time	Total
1975 [2]	[3] 78,400	7,300	85,600
1976 [2]	78,400	7,300	85,600
1977 [2]	80,300	7,300	87,500
1978 [2]	78,600	7,100	85,700
1979 [2]	76,300	7,600	83,900
1980	74,500	7,200	81,700
1981	74,600	9,700	84,200
1982	74,800	11,300	86,100
1983 [4]	76,000	9,900	85,900
1984 [4]	75,800	8,000	83,800

[1] Figure may not add across due to rounding.
[2] Represent approximate levels of employment. Derived from subsequent year's appropriations' justification.
[3] Includes 6,000 employees who had 2-year term appointments at that time.
[4] These are estimates derived from 1984 appropriations' justification.

Note: This table provides actual and estimated levels of employment for the Social Security Administration, and does adjust for various reorganizations and shifts in agency responsibility, e.g. the transfer of Medicare responsibilities to the Health Care Financing Administration and adoption of AFDC and child support enforcement program functions.

SOCIAL SECURITY ADMINISTRATION NUMBER OF BENEFICIARIES PER STAFF YEAR OF WORK EXPENDED, FY 1975–83

Fiscal year	Staff years of work expended [1]		Beneficiaries (in millions) [2]		Beneficiaries per staff year expended	
	OASI	DI	OASI	DI	OASI	DI
1975	39,253	15,167	27.0	4.1	688	27
1976	40,856	17,771	27.7	4.5	679	26
1977	39,843	19,875	28.4	4.7	714	24
1978	38,180	20,801	29.1	4.9	761	23
1979	38,636	19,916	29.8	4.8	771	24
1980	39,274	20,084	30.4	4.7	774	24
1981	37,660	21,970	31.1	4.6	825	21
1982	37,495	23,593	31.2	4.2	832	18
1983	39,558	23,422	31.9	3.9	806	17

[1] Derived from annual appropriations' justifications. Figures represent estimates provided in subsequent year's justification.
[2] As of June 30 of each year. Figures for 1983 are estimated.

Work Measurement

The work measurement is used in SSA as a management tool for allocating field office staffing resources and as a component of the performance ranking criteria for merit pay. Use of work measurement in the merit pay system has the effect of encouraging field office workers to perform the tasks which are measured. The danger is that they will fail to perform or delay performing the tasks that are not measured. The effect of this is to create backlogs in non-measured workloads.

A GAO letter report to the Commissioner on SSA's field office operations, released in March 1982, discussed work measurement:

> SSA measures three dimensions of field office work: (1) processing time, measured in calender days; (2) quality, usually viewed as payment accuracy or error rates; and (3) productivity, the hours of employee time required to produce a unit of work.
>
> The dimensions given the most attention by SSA management are processing time and quality . . . Processing time and quality measures were also the largest quantitative items used in merit pay plans. In one region, for example, they accounted for up to 45 percent of the planned performance ranking criteria for merit pay.

The measures that are used, however, are focused largely on initial claims processing—roughly half of the workload—and miss substantial parts of the field office workload. For example, there is no measurement of the quality of service, or of the number of transactions rejected due to worker errors, or of the clearance of earnings records that have come in for use in computing benefits. In discussing the management reports used in the field offices, GAO noted:

> The reports indicate whether an office has performed well or poorly, but do not specifically diagnose why or identify individual performances within the office. Further, information contained in the reports covers only a fraction of an office's workload. For example, the post-entitlement workload, which accounted for almost half of the field office work in 1980, lacks systematic controls and management reports.

Another example of the effect of performance measures on the workload can be seen in the debt collection initiative. Inclusion of measures for the amount of debt collected in the Regional Commissioner's job performance system resulted in the transmission of debt collection goals or quotas to the district offices. Positive resolution goals were set in some regions—in one region district officers were required to collect as much as 75 percent of the outstanding debt, (and later were limited to collecting no more than 85 percent to prevent overzealous collection activity). Check adjustment quotas were also set in some regions, requiring that 2.8 percent of the adjustable debt be collected each month. Explicit quotas in the debt management area caused workers to focus on these tasks to the exclusion of other elements of the workload for which they already had responsibility.

Operating Instructions

The March 1982 GAO letter report on field office management emphasized the problems with operating instructions and forms:

> To administer SSA's programs, field office personnel need a stable body of knowledge based on simple and clearly written operating instructions; instead, they are overwhelmed by the volume and often poor quality of instructions. Poorly designed forms also complicate field office tasks. . . .
>
> SSA has taken a number of actions to improve its communications, including the following:
>
> > In 1978, SSA began to consolidate over 200 manuals into a Program Operations Manual System (POMS) in response to employee complaints that there were too many instructions from too many sources . . .
> >
> > In 1980, SSA implemented an Instructions Tracking System (ITS) to establish a more disciplined process for issuing policy and procedure changes. . . .
>
> In spite of SSA's actions, field offices are still overwhelmed by the volume and often poor quality of instructions. For example, during a 2-month period in the Fall of 1980, a district office in the San Francisco region received instructions totaling 1,150 pages of printed and teletyped material (averaging about 28 pages per day) from the central and regional offices. . . .
>
> Due to complaints we heard about central office instructions, we tested the readability of several central office instructions by applying what writing ex-

perts refer to as a "fox index". We applied the index to three claims manuals and three POMS instructions that appeared representative of those received by a field office during a two month period in late 1980. The claims manual issuances needed an average of more than 17 years of education to read. The POMS manuals required an average of more than 15 years of education to read. In comparison, issues of the Wall Street Journal required an average of 11 years of education to read.

A primary function of SSA's field offices is to obtain data from applicants or beneficiaries of Social Security programs . . . These tasks are complicated by the number of forms involved and different ways common data are handled on the forms.

In collecting and recording these data, field office personnel use a large number and variety of forms. For example, SSA has 8 application forms for Retirement and Survivors Insurance benefits alone. In addition, the application form generally serves as a lead for other supplementary forms. A retirement claim, depending on the person's situation, can involve 20 or more supplemental forms.

The lack of data and design standards for SSA forms result in inconsistencies between forms. These inconsistencies hamper productivity and lead to errors. For example, some forms require an applicant's or beneficiary's name to be entered last name first. Other require first name last.

POLICY ISSUES

The field offices are also affected by the constant shifting of management priorities and the coming and going of new policy initiatives. Since 1981 there have been two major overlapping policy initiatives of SSA which have added a substantial burden to existing field office staff and caused some sacrifice of on-going field office responsibilities.

Debt Collection Initiative

A major initiative to improve government-wide debt collections was launched by Presidential directive in April 1981. An OMB bulletin issued at the same time directed each Executive department to formulate a detailed plan for debt collection and debt management. SSA's "Debt Collection Action Plan" released in June 1981 called for reallocating existing district office resources to debt collection functions; the submission of legislation and issuance of new regulations and procedures to expand the authority of SSA to collect debts and to create incentives to speed collection; the use of private debt collection agencies to assist in recovery; and the establishment of debt reduction objectives and productivity measures.

SSA began in late 1981 and early 1982 to put the debt collection initiative into effect. Special debt management teams were created in the district offices, memos were issued explaining the emphasis on rapid recovery rather than waiver or write-off, and specific regional collection quotas and performance measures were set in place.

As part of the new "get tough" policy on debt collections, SSA revised POMS chapters to replace the previous policy of withholding no more than 25 percent of a monthly check with a 100 percent withholding policy. To instill in beneficiaries a sense of urgency about repayment, SSA revised payment notices to request full payment immediately and inform beneficiaries their entire checks would be withheld if SSA did not hear from them. SSA also employed T. Frank Hardesty, training manager of Payco American Corporation, to produce debt collection training materials which were used to teach district office personnel how to "bring in maximum cash within a minimum amount of time." In January 1982, SSA made public a plan to use private debt collection agencies to assist in collecting overpayments, but withdrew the plan in the wake of public criticism. In February 1983, SSA published proposed rules to limit the use of waivers in overpayment cases. Further action on the proposed rules has been postponed because of substantial public criticism.

While SSA was stepping up its efforts to collect overpayments, the Congress made it clear in passing the Debt Collection Act of 1982 (P.L. 97-365) that Social Security debt should not be pursued as aggressively as other types of debt owed to the Federal goverment. An amendment added to the bill in the House Ways and Means Committee and approved by the House and the Senate specifically exempted payments under the Social Security Act from provisions expanding the authority of Federal agencies to obtain information needed in pursuing debtors and from referral to private debt collectors and credit bureaus. The exemption was based on an understanding in the Congress that legally entitled beneficiaries who owe the Government for benefits paid in error are a different kind of debtor than those who have failed to

repay money loaned them by the Government in good faith. As John Harris, President of the Nationai Council of SSA Locals said in testimony before the House Aging Committee in August 1982:

> All this underscores the major flaw in this so-called debt. The Commissioner would have you believe that this monstrous sum is a debt and by that phrase we commonly suppose it is money that hundreds of thousands of ne'er do wells and deadbeats owe us, the good citizens of the United States. In reality we are talking about common payment errors; very very few of these are fraudulent; many are the fault of the Social Security Administration. And for the most part people do pay them back, even when it is not their fault that they are overpaid.

Effect on Operations

The debt collection initiative was implemented by re-training field office staff in debt collection techniques. The effort to accelerate collections of outstanding debt, particularly old debt, resulted in increased workloads for existing field office personnel. Proper handling of the backlogged or old debt required considerable work in many instances to verify that previous collection efforts had not resulted in a waiver or suspension. The fiscal year 1982 budget request from SSA projected that an additional 1,024 work years would be required to support the expansion of the debt collection activities.

Continuing Disability Investigations

The 1980 Amendments to the Social Security Act made important changes in the disability program in an effort to curb the rapid expansion in the program witnessed in the mid-1970's and to encourage beneficiaries to return to work. One of the provisions in the 1980 amendments required a periodic review of individuals on the disability rolls. Beneficiaries who are not deemed "permanently disabled" are to be reviewed at least once every 3 years while those who are considered "permanently disabled" are to be reviewed at an interval determined by the Secretary, which is currently once every 6 to 7 years.

It should be noted that this periodic review provision was not expected to yield massive savings in the disability program. At the time of the conference report on the legislation, this provision, which was made effective January 1, 1982, was estimated to have no net savings until after 1984. It was felt that time and an assured budget would be required for the States to beef up their staffs to take on this additional function of periodically reviewing cases. In the 4-year period 1982 through 1985, a net $10 million was projected to be saved, i.e., over and above the increases in administrative costs necessary to carry out the reviews.

The Social Security Administration, on its own initiative, accelerated the review process scheduled to begin, by law, on January 1, 1982. Instead, SSA began reviewing disability cases in an accelerated manner effective March 1981. In the fiscal year 1981 budget request, SSA projected an increase of 14.8 percent in State Agency workloads, which did not directly affect SSA field operations, plus an increase of 1510 work years in SSA's own operations. In the fiscal year 1982 and 1983 budget requests, the projected increases in the volume of continuing disability reviews was estimated to require in excess of 1,000 additional work years in each of the two years.

SOCIAL SECURITY ADMINISTRATION—ADMINISTRATIVE BUDGET EMPHASIS: FY 1975–84

[In millions of dollars]

Fiscal year	Work years	Cost
1975:		
9.8% increase in the agency's workloads—½ of which is attributed to the Supplemental Security Income (SSI) program	+6,699	+166.5
Changes in agency procedures: increased use of telephones to provide service to the public; converting from punched cards to magnetic tape in computer operations; improved telecommunications network; increase in automated claims processing, etc.	−6,540	−71.9
1976:		
12.4% increase in the agency's workloads	+10,581	186.3
—SSI workload increase, most of which was for a large increase in number of redeterminations of eligibility and benefit amounts	(+5,562)	
Changes in procedures and cuts in production costs: simplified SSI procedures; increase in automated claims processing; more service via telephone	−5,733	−64.8
1977:		
3.6% increase in the agency's workloads	+3,162	+63.1

SOCIAL SECURITY ADMINISTRATION—ADMINISTRATIVE BUDGET EMPHASIS: FY 1975–84—Continued

[In millions of dollars]

Fiscal year	Work years	Cost
—Improvements in quality of service: more complete claims interviews; expanded use of electronic equipment to verify entitlement; improved workflow management system	(+1,855)	
Increase in training to make up for shortcuts taken to handle initial crunch of implementing the SSI program	+1,560	
Other new responsibilities: oral hearings required before adjusting OASDI benefits due to court decisions; implementation of Privacy Act requirements; record keeping requirements of the Employee Retirement Income Security Act (ERISA), etc.	+1,298	
Additional resources for reducing hearings backlog	+1,087	
1978:		
Processing of an increased number of SSI redeterminations	+1,110	
1979:		
Implementation of annual reporting of earnings records	+1,248	+26.5
Targeting of SSI redeterminations on higher risk cases	−960	
Tightening-up procedures and evidentiary requirements for issuing social security numbers	+732	
1980:		
Processing of annual reports of earnings	+558	
Reduction in estimates of cases pending appeal	−551	
1981:		
14.8% increase in State Agency workloads in making disability determinations		+51.3
Disability program initiatives proposed in budget:		
—Pre-adjudicative review	+625	+16.1
—Re-Examination of continued eligibility	+885	+35.4
—Increase in consultative examinations by physicians		+29.9
1982:		
Implementation of Disability Amendments of 1980	+1,008	+94.0
—Pre-adjudicative (pre-effectuation) review	+300	+9.5
—Periodic review	+872	+56.6
—Personalized notices	+5	+24.6
Increase in State agency workloads		+136.2
—Due to 1980 Amendments, i.e., periodic reviews, personalized notices, purchase of medical evidence		(+93.7)
Expansion of debt collection efforts	+1,024	
1983:		
Administrative costs for increased number of continuing disability reviews and extending the reviews to the SSI program	+1,100	+116.0
1984:		
Implementation of face-to-face hearings for those about to be terminated under the periodic review process	+643	

EXTERNAL EVENTS

External events beyond the control of SSA have played a major role in adding to the complexity of the programs and the internal disorganization of the agency. In recent years SSA has changed dramatically, almost entirely due to legislative, administrative, and litigative changes forces in the outside world.

In the last decade alone the political, organizational and legislative changes have been overwhelming:

Of the 13 Commissioners who have served SSA, 8 were appointed in the last 10 years.

SSA was reorganized three times in a space of only 5 years (1975–1979).

SSA has taken over a number of non-trust fund programs in the last decade, including the SSI and AFDC programs.

Congress has enacted 16 laws affecting RSI and DI benefits since 1972, of these, five have made significant changes in entitlement and benefits.

A large number of court cases involving Social Security due process rights have been heard by the Supreme Court in recent years.

Reorganization of SSA

Until the early 1970's SSA was a reasonably stable organization. Between 1937 and 1973, five commissioners had headed up the agency. The most recent of these

commissioners, Bob Ball, had spent a full career in Social Security and had served as Commissioner for 12 years.

Beginning in the 1970's Social Security and its political environment began to change rapidly. In a 1980 report on SSA's recent reorganizations for the National Commission on Social Security, Jack Futterman, a former Assistant Commissioner for Administration, painted the following picture of the changes:

> The external environment began to change with the change in Administration in 1969, and even more rapidly and radically, starting in 1972. Outside authority from the Department level, and higher, began to manifest their wills in all aspects of operations, management, administration, and staffing. SSA was much less in control of its own destiny.
>
> SSA's first generation of "born and bred" leaders—the old guard— began to retire and in a few years the turnover was complete. In the words of one who started out on an SSA career about that time: "They took with them a lot of knowledge." The new Commissioner did not find that the organization had developed and trained adequate replacements.
>
> The Data Processing system was increasingly under stress. . . . Within SSA it was difficult to maintain a staff dedicated full time to improving the system. Today's operational crises repeatedly consumed the resources which were believed to be dedicated to tomorrow's improvements. The state of the art seemingly outran the availability of good trained people to practice at or near that level. SSA's data handling capability was continuingly confronted with massive new demands, i.e., social security program changes, Supplemental Security Income . . .
>
> The social security programs themselves were increasingly more complex and difficult to administer. . . .
>
> The climate outside of government began to change too—favorable attitudes toward the programs and SSA were less pervasive.

SOCIAL SECURITY COMMISSIONERS OVER THE YEARS

Chairman of the Social Security Board and administration(s) served under:
- John G. Winant, 1935-37—Roosevelt.
- Arthur J. Altmeyer, 1937-46—Roosevelt, Truman.

Commissioners of Social Security and administration(s) served under:
- Arthur J. Altmeyer, 1946-53—Truman, Eisenhower.
- John W. Tramburg, 1953-54—Eisenhower.
- Charles I. Schottland, 1954-58—Eisenhower.
- William L. Mitchell, 1959-62—Eisenhower, Kennedy.
- Robert M. Ball, 1962-73—Kennedy, Johnson, Nixon.
- Arthur Hess (Acting), 1973—Nixon.
- James B. Cardwell, 1973-77—Nixon, Ford, Carter.
- Don I. Wortman (Acting), 1977-78—Carter.
- Stanford G. Ross, 1978-79—Carter.
- William Driver, 1980-81—Carter.
- Herbert R. Doggette (Acting), 1981—Reagan.
- John A. Svahn, 1981-83—Reagan.
- Martha McSteen (Acting), present—Reagan.

In response to the growing pressure on SSA, several attempts were made to improve the organization of the agency. In the period of 5 years, SSA went through 3 major reorganization efforts.

The first reorganization, in 1975, put the program bureaus (RST/DI/SSI) and the regional commissioners under an Associate Commissioner for Program Operations. No longer were the regional commissioners reporting directly to the Commissioner. Two problems have been cited with this reorganization: First, it muted the voice of the district offices which had been previously heard more directly by the Commissioner; and second, it was only partially implemented.

The second reorganization came, in 1977, as part of a Department-wide reorganization. Health financing programs, including Medicare which SSA had previously administered, were grouped under the Health Care Financing Administration. Income security programs, including AFDC, were grouped under SSA. The net result for SSA was that it picked up several programs it had not administered previously, but it did not lose the district office and computer support responsibilities for Medicare.

The third reorganization, in 1979, was a major organizational restructuring from top to bottom under Commissioner Stanford Ross. The old program structure of SSA, was replaced with a functional structure. The old program units (RSI DI, and

SSI) were replaced with units on assessment, systems, operational policy and procedures, management and budget, and so forth.

The 1979 reorganization has been severely criticized by many in the agency. Jack Futterman, in his report to the National Commission on Social Security, discussed the effect of this reorganization on field office operations and morale in the agency:

> The problems the people in the field encounter in serving the public . . . are not systematically gathered because there is no one continuing dedicated institutional arrangement to pull together and to distill this information, and to use it to effect improvements in the operations, to spot and remedy difficulties, to alert headquarters in respect to public issues that might be arising, and a whole host of other purposes.
>
> SSA is fast losing its "espirit de corps" and "style". The cumulative effect on employees of numerous actions over the past several years has been to create a feeling of frustration. The effect of these many actions has been to erode the belief, widely shared earlier in SSA history, that an individual, by hard work and dedication to his job, could make a difference.

Addition on Non-Social Security Responsibilities

Another factor that has compounded the administration of the Social Security program has been the assumption of non-social security responsibilities. Jack Futterman, in his memo to the National Commission on Social Security discussed this problem:

> One of SSA's major problems stems from the fact that its administrative mechanism is regarded as a national resource which can be freely called upon for nonsocial security purposes even at times to the detriment of its ability to do its own job. SSA's field organization is strategically located throughout the Nation, and staffed with able people. The Agency has a massive data processing and telecommunications capability and it has enumerated (issued social security numbers to) almost all the people in the Nation. . . .
>
> Some indication of the current activity in work outside of SSA's own statutory responsibility is given below. The list is of non-SSA work that will be performed in fiscal year 1981.
>
> Assist Selective Service in the January 1981 registration of young men.
>
> Take food stamp applications.
>
> Administer a survey of income and program participation for the Department of Health and Human Services.
>
> Maintain records of vested rights in private pension benefits and perform specified services in the regard.
>
> Receive and process annual reports from employers and provide IRS with information for income tax enforcement
>
> Take certain "black lung" claims.
>
> Enroll persons in Medicare, maintain beneficiary records of utilization of hospital and medical services, collect SMI premiums . . .
>
> Assist the medicare program in certain ways.
>
> Assist 26 States and the District of Columbia to determine eligibility, enroll and make SSI supplemental payments.

It is estimated that almost 10 percent of the total work-years in the SSA budget is needed to perform work for other Federal agencies.

Legislated Changes in Benefit Computations

Since 1972, the Congress has enacted 16 pieces of legislation affecting Social Security benefits and requiring changes in SSA procedures and modification in computations. Six of these acts has a substantial effect on the operations of the program.

> Public Law 92-366, enacted in 1972, established the automatic adjustment of benefits and the contributions base, effective in January 1975.
>
> Public Law 92-603, enacted in 1972, made a number of changes in entitlement and benefit computation for specific categories of beneficiaries and enacted the Supplemental Security Income (SSI) program—to become effective January 1, 1984.
>
> Public Law 95-216, enacted in 1977, provided for an entirely new method of computing the primary insurance amount (PIA) for workers becoming eligible after 1978 and made a number of other changes in benefit computation and offset provisions.
>
> Public Law 96-265, enacted in 1980, made changes in the computation of disability insurance (DI) benefits and mandated periodic and pre-effectuation reviews of disability cases.

Public Law 97-35, enacted in 1981, eliminated certain types of benefits for groups of beneficiaries and changed SSI income accounting.

Public Law 98-21, enacted in 1983, expanded social security coverage, added or modified several offset provisions, and expanded benefits for certain narrow classes of beneficiaries.

Social Security computations are more complex today than they have ever been—despite some genuine efforts at simplification. The easiest way to demonstrate the added complexity that has occurred in just the last decade is to compare benefit computations before 1972 with benefit computations today.

Before the 1972 amendments, there were two alternative primary insurance amount (PIA) calculations to be considered in each case: the "old start" and the "new start." Today, there are the possibilities of the old start, the new start, the special minimum, the frozen minimum, the widow(er)'s index PIA, the specially indexed PIA for government pensioners, and the reduced regularly indexed PIA for government pensioners.

Before the 1972 amendments, a widow(er)'s rate was subject, essentially, to three variables: actuarial reduction, reduction for the maximum, and increase to the widow(er)'s minimum sole survivor rate. Today's a widow(er)'s final benefit is still subject to only three variables: actuarial reduction, reduction for the maximum, and retirement insurance benefit limitation. However, that presupposes that you can first determine the original benefit from which you are to derive the final benefit. The widow(er)'s original benefit is chosen from two variables: the insured person's benefit with delayed retirement credits or the applicable PIA. The applicable PIA again consists of two variables: the regular PIA or the widow(er)'s indexed PIA.

Before the 1972 amendments, a retirement beneficiary's rate was subject to one variable actuarial reduction. It is now subject ot two variables: actuarial reduction and delayed retirement credit.

Before the 1972 amendments, there was only one retirement test exempt amount. A payment could be received for any month of nonwork. There are now two retirement test exempt amounts. A payment may be received for months of nonwork in only 1 year, provided you can figure out which year that is and assuming the beneficiary does not terminate or change his entitlement type, in which case payments may also be received for months of nonwork in a second year.

In short, the trend in computations has been toward a large number of variables and alternatives.

However, legislation, by itself, is not the only factor that has added to the complexity of computations. Several other factors are also making calculations more complex:

(1) Increased duration of entitlement: People are coming on the rolls earlier (due to early retirement and disability provisions) and staying on the rolls longer (due to increased life expectancy). This mere duration of entitlement tends to make beneficiaries subject to combinations of saving clauses, transitional provisions, and changes in entitlement type.

(2) Increased representation of married women in the work force: Increases the number of married couples who will have two social security records on which to qualify. At least one is likely to become entitled on both records.

(3) Increased incidence of divorce and remarriage: A person who is divorced and remarried can acquire benefit rights on the records of both he present and former spouse. Children of divorced and remarried parents may be able to qualify on as many as four records (both natural and both step-parents).

In the future, Social Security benefit computations are going to become even more complex as benefits are made contingent upon payments from a variety of other governmental sources. Social security computations will never be simple again.

Impact of Court Decrees

Over the years, court decisions and decrees have had great impact upon the policies, procedures, and operations of SSA. Indeed, in recent years, the Supreme Court has granted review of more than 100 cases raising due process issues under the Social Security Act alone. The granting of due process protections and guarantees by the courts can substantially increase the worklead and expand the activities of SSA personnel. Thus, the Supreme Court decision in the *Yamasaki* case, which requires SSA to hold an oral hearing after a request for waiver has been made, clearly adds to the administrative responsibility of SSA.

Court decisions in the area of administrative delays have also had substantial impact on workloads. Numerous courts have ordered SSA to act within specified time frames, which if not met, requires SSA to pay interim benefits. Processing

these cases within the time limits requires SSA to divert staffing resources and can require initiation of payment, delaying the processing of other claims.

Court decisions, like *Goldfarb* v. *Mathews* which have greatly expanded the classes of individuals entitled to benefits, can add to SSA caseload burden. Within the disability area alone, the impact of court decisions is far reaching. For example, in *Allen* v. *Califano* the court required SSA to notify 34,000 individuals that they could file new applications.

Major Non-Social Security Responsibilities of SSA in Recent Years

Supplemental security income (SSI).—SSA administers the Supplemental Security Income program, which is a program of assistance to aged, blind and disabled invididuals with limited income and resources. About 4 million SSI beneficiaries will receive an estimated $7.8 billion in Federal SSI benefits in fiscal year 1983. About 1 million claims for SSI benefits were filed in fiscal year 1982. SSA also administers some State programs of State-financed supplementary payments to SSI beneficiaries, although SSA pays the administrative expenses of doing so under agreements with the States. SSA-administered State supplements in fiscal year 1983 are estimated to be about $1.9 billion.

Black lung.—SSA administers part B of the black lung program. An estimated 340,000 miners and dependents or survivors get black lung benefits, much of the process for which is manual and error prone. For example, OCO reviewed 97,000 cases as part of the black lung corrective action plan, requiring 39 work years in fiscal year 1981-83. Currently, SSA takes claims for benefits—10,319 in fiscal year 1982—and transfers them to the Department of Labor. In addition, over the years, black lung legislation has required reworking of over 300,000 benefit denials.

Low-income home energy assistance.—SSA administers the low-income home energy assistance program, which provides funds to assist low-income households offset the cost of home energy. In fiscal year 1982, a total of $1.9 billion was appropriated for the program.

Food stamps.—SSA takes food stamp applications from SSI recipients and applicants who live in households where everyone either receives SSI or is applying for it. The completed applications and available verifications are sent to State food stamp agencies for certification of eligibility.

Aid to families with dependent children (AFDC).—SSA provides national leadership, monitoring and coordination for the AFDC program, under which payments are made by State and local governments. In doing so, SSA takes an active role in providing wage data to the States, assisting in quality control processes, monitoring program operations and administration.

Refugee assistance.—In it role of providing national leadership and coordination for AFDC, SSA is involved in the Indochinese and Cuban refugee assistance programs. The Office of Refugee Assistance within SSA administers Federal funds appropriated to reimburse State and local public assistance programs for refugee assistance.

Child support enforcement.—CSE is a program of child support enforcement and paternity establishment and is a joint Federal-State program. The Commissioner of Social Security is the Director of the Office of Child Support Enforcement. Administrative expenses of the Office of Child Support Enforcement are paid from the general CSE appropriation.

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